

**U.S. Department of Transportation**  
**Five Year Plan: Financial Management Status Report (FY 2003 – FY 2008)**

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# MESSAGE FROM THE CHIEF FINANCIAL OFFICER

We are continuing to make progress in implementing the President's Management Agenda (PMA) and Performance Plan. The Department of Transportation's (DOT) new integrated financial management system is the core of our efforts to upgrade and streamline financial management efforts. Improvements made to existing databases and Delphi enhance our ability to analyze and use financial data throughout DOT. All of our organizations are up and running on Delphi, with Federal Aviation Administration having converted in October 2003. In addition, the Transportation Security Administration continues to use Delphi and Federal Aviation Administration accounting staff.

Our key focal points are: continuing to upgrade our financial management systems, achieving clean audit opinions on our consolidated financial statement, and improving our financial management performance, all of which support the President's Management Agenda. We continue to improve our financial management processes by:

- Linking costs and other performance data to programs in order to measure the effectiveness and efficiency of our service delivery;
- Promoting the use of electronic business practices, e.g., electronic checks and Delphi's Invoice Imaging and Workflow system to increase the efficiency of payments and provide instant access to financial documents;
- Improving our travel administration through the use of on-line, web-based travel authorization and vouchering services.

With DOT's new financial management system, we are able to shift our emphasis from set-up and data conversion to using Delphi as the foundation for managerial cost accounting throughout DOT. Several of our Operating Administrations (OAs) have already started using the Project Accounting module of Delphi for this purpose, and we are helping the remaining OAs use Delphi to implement cost accounting by July 2004. We are also able to focus now on further enhancing Delphi's hundreds of reports and piloting Oracle *Business Intelligence* to provide easy-to-use management decision information to DOT senior level managers and program managers.

We are at the beginning stages of a broad Business Process Re-engineering effort to streamline, standardize and where appropriate consolidate accounting processes, with a special emphasis on ensuring that DOT's internal controls are fully documented and effective. We will complete DOT's part of the Office of Management and Budget's (OMB) initiative to consolidate payroll and human resources systems and will continue our efforts to integrate DOT's procurement systems into Delphi. This integration will avoid duplicate data entry, reduce the need to reconcile data, improve data accuracy and timeliness, and eventually enable DOT program managers to eliminate their "cuff" records systems.

Early in FY 2004, DOT will be among the first in government to migrate to a fully integrated e-travel solution. As an active participant in the e-gov / e-travel initiative, DOT is planning to move aggressively toward the implementation of this service that promises to streamline the travel process and significantly reduce our Administration costs.

Our overall goal is to better support DOT's programs and operations and to "get to green" on the President's Management Agenda. I am committed to fostering an environment of positive change by embracing technology to help us improve our business practices.

We have reworked the focus of our Financial Management Status Report and 5 Year Plan to make it a more useful planning document for management. We are focusing on our overall plans to meet core values and objectives to further DOT's mission and programs through improved financial management performance.

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Phyllis F. Scheinberg  
Acting, Assistant Secretary for Budget and Programs

# INTRODUCTION

This Financial Management Status Report and 5 Year Plan highlights our major financial management initiatives, future plans, and recent accomplishments. It discusses our efforts to improve and reform financial management in support of The President's Management Agenda (PMA) and Performance Plan, government-wide goals and related legislation, and DOT's Strategic Plan.

The Financial Management Status Report and 5 Year Plan is required by the Office of Management and Budget (OMB) Circular A-11. It accompanies DOT's budget presentation to provide enhanced justification and strategies for DOT's financial systems. It also highlights our financial management accomplishments and initiatives.

The Office of Financial Management's (OFM) aim is to support DOT's effort to meet the government-wide initiatives contained in the PMA, and to provide a comprehensive planning agenda for financial systems integration, improvement, and replacement. The five government-wide initiatives in the PMA are: (1) strategic management of human capital, (2) competitive sourcing, (3) improved financial performance, (4) expanded electronic government, and (5) integrated budget and performance.

In this report, we have identified basic departmental goals to guide our initiatives and ongoing activities for achieving our goals. We have highlighted what the respective DOT Operating Administrations (OA) are doing to meet the Department's overall financial management goals and needs.

## *Mission*

OFM has identified six overall goals for ensuring that our financial management systems provide DOT managers with timely, accurate, and useful information. These overall goals are:

- Replacing expensive legacy financial systems with modern, cost-effective systems
- Integrating financial systems
- Consolidating financial systems and functions where appropriate
- Avoiding duplicate and manual input of data
- Disseminating accurate, timely, and useful information/reports
- Reducing costs

OFM uses several operational tactics to achieve its goal implementation on:

- Disseminating information through management and user groups, including sharing the goals and activities of external groups such as Joint Financial Management Improvement Program (JFMIP), OMB, Chief Financial Officer (CFO) Council, and the Chief Information Officer (CIO) Council
- Aggressive continuing assessments of financial improvement through a financial scorecard
- Monthly financial statements and monitoring of remediation
- Intergovernmental elimination tracking and monitoring
- Recovery audits for erroneous payments

Improvements in DOT's financial management performance will also be reflected in our reporting under the Government Performance Results Act (GPRA).

### *The DOT Organization*

The U.S. Department of Transportation (DOT) is the Federal steward of the Nation's transportation system and speaks for transportation in the Federal government. Created in 1967, the Department develops policies and programs that contribute to a fast, safe, efficient, and convenient transportation system at the lowest cost—essentials to meet national objectives of economic growth and stability, security of the United States, and the proper use and conservation of resources. DOT's creation brought under one umbrella an array of transportation missions and programs, some of which date back to the 1700s.

DOT employs over 58,000 people located across the country and the world. It includes the following organizations:

Bureau of Transportation Statistics (BTS)
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)
Office of the Secretary (OST)
Research & Special Programs Administration (RSPA)
Saint Lawrence Seaway Development Corporation (SLSDC)
Surface Transportation Board (STB)

These organizations are working together to create the best transportation system for America, one that is *international in reach, intermodal in form, intelligent in character and inclusive in nature.*

### **The Transportation Security Administration (TSA)**

During FY 2002, TSA was established by Congress in response to the terrorist events of September 11, 2001 as a separate administration within DOT. In order to meet the demands of creating and administering an agency in record time, DOT's Office of Financial Management assisted in configuring and setting up the books and accounts in the General Ledger in Delphi. Delphi is a non-customized, Oracle based federal financial commercial off-the-shelf (COTS) system that meets the Chief Financial Officer reporting requirements, provides a single accounting classification structure and enhances financial controls.

An accounting classification structure was put in place based on the anticipated TSA organization and modified as the organization evolved. The Project Accounting and Fixed Assets modules of Delphi were used to immediately provide TSA with cost accounting and property management capabilities. We also coordinated TSA's payroll and HR systems data with TSA's contractor that hired over 60,000 TSA employees.

Other financial management assistance for TSA includes: helping TSA pilot and evaluate the Kronos Time and Attendance and Labor Distribution System at Baltimore-Washington International Airport and setting up Invoice Imaging and Workflow for TSA.

One of the key accomplishments was placing TSA's accounting and financial management data onto Delphi from its inception. This provided TSA with significant flexibility and state-of-the-art capabilities in meeting financial reporting requirements from the Office of Management and Budget. In addition, the use of advanced technology allowed TSA to move quickly in hiring, paying vendors, and providing the flexibility to meet the demands of its evolving mission.

During FY 2003, TSA and the United States Coast Guard were transferred by legislation to the new Department of Homeland Security (DHS). After the transfer, DOT continues to provide financial management support for TSA and civilian Coast Guard personnel including travel management, Delphi transaction processing, and government credit card programs pending DHS migration to new payroll/personnel and accounting systems.

# **OBJECTIVE 1.**

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## **TRACKING PRESIDENT'S MANAGEMENT**

### **AGENDA (PMA)**

In an effort to support the constant changing financial management environment, the OAs are focusing their efforts to develop plans and implement financial management initiatives to achieve a "green light" on the Presidential Management Agenda initiatives.

#### **1.1 *Integrate Budget and Performance:***

##### ***DOT Performance Plan and Reports***

DOT's *Performance Plans and Reports* have consistently garnered positive evaluations from George Mason University's Mercatus Center and the General Accounting Office. DOT's Strategic Plan likewise has consistently been rated as among the best in government.

#### **1.2 *Improve Financial Management:***

##### ***Financial Applications***

The OST's Office of Financial Management worked with the OAs to implement Department of Defense's Central Contractor Registration (CCR) System for DOT. This system provides an easy method to OAs for researching vendor payment information and validating the vendor's tax identification number (TIN). The application resides on a secure website with restricted accessed by agency designated financial and procurement users. The CCR has been invaluable in the vendor data cleanup efforts as OAs prepare for their implementation to Delphi. The application is also used for verification of commercial vendor information in the PRISM procurement system. In FY 2004, DOT will be implementing a direct interface between Delphi and CCR.

#### **1.3 *Expand Electronic Government:***

##### ***"Do It Yourself" (DIY) Internet Payment Site***

In FY 2003, DOT's award-winning DIY web-payment site continues to increase its collections in terms of the number of transactions conducted and the amounts

collected. While the bulk of this dollar value increase was due to new TSA collections, as a whole the other 45 DIY collection streams still doubled their collections. DOT will continue to set up new DIY collection streams for DOT applications and to help the OAs market DIY to take even greater advantage of its benefits in terms of faster, easier, accurate and more available services.

DOT continues to work closely with Treasury's Financial Management Service (FMS) to expand the number of DIY applications that can use the Automated Clearing House (ACH) electronic bank drafts and to explore when the FMS Pay.gov web-site will be able to assume DIY functions. Working with FMS, we have also implemented a conversion system that converts paper checks to electronic payments.

### **Information Technology (IT)**

The financial management environment envisioned for DOT emphasizes a strong focus information technology processes that will move us toward web-enabled user access, intuitive and user friendly application processes and greater flexibility for reporting financial information.

#### **Improving IT for Financial Management:**

##### **Example of FTA's Transportation Electronic Award and Management (TEAM) System**

TEAM is the automated application for FTA Grant and Contract management. Users (FTA Regional and Program Office staff and grantees, as appropriate) are authorized to create allotments and plans, reserve (commit) and obligate project funds in TEAM. Projects include grants, cooperative agreements and procurements (i.e., contracts, reimbursable agreements, inter-agency/intra-agency agreements and general working agreements). Upon completion of the budget execution and project award process, the TEAM system will generate allotment, plan and obligation transactions that are passed to the core departmental accounting system through a generic interface on a daily basis. In addition, TEAM has the capability to produce follow-on transactions for each fund status category. These transactions can be upward or downward adjustments. TEAM was interfaced with Delphi when FTA converted to Delphi in June 2002.

The TEAM system was migrated to a web-based platform on a live basis on October 1, 2001. Customer service has been improved by upgrading the TEAM system to allow user access through a web-enabled site, thereby eliminating the need to distribute electronic media whenever updates for the application are required. TEAM was accredited in September 2000.

At FTA, the TEAM system has already made the transition from a client-server configuration to web-based user access for approximately 700 grantees and 300 FTA headquarter and regional staff. Since the upgrade to production for the web-enabled version has been accomplished, the



focus has shifted to enhancement of validation criteria for budget codes and business rules to improve FTA's grant delivery. An extensive training effort was undertaken to ensure a smooth and successful conversion for our users.

#### **Example of FTA's and FAA's Electronic Clearing House Operations (ECHO) System**

ECHO is the automated application that provides electronic payments to both FTA and FAA grantees. Users are authorized to submit their draw down requests for payment against project funds in ECHO. Fund availability is verified at the detailed project level and payment can be made for partial or total amounts claimed. ECHO depends on the posted authorized disbursement transaction generated from TEAM to establish fund availability and the authority to pay FTA grantees and use obligation transactions from the core departmental accounting system for fund availability to pay FAA grantees. The payment code (ECHO Control Number) is a critical control in determining the project funding sources. Electronic fund payment is generated through Treasury's Electronic Certification System (ECS) to the grantee's financial institution. Upon completion of the payment process, the ECHO system will generate disbursement transactions that are passed to the core accounting system through a generic interface on a daily basis. In addition, ECHO has the capability to accept credits, which are handled as a payment reversal.

ECHO has supported FTA grantees for approximately eleven years and FAA grantees for the past six years. The system retains the flexibility to respond to legislative and other requirements imposed by congress, OMB and Treasury. The next step in improving ECHO, already scheduled for implementation, is the establishment of a web-based system for access by the grantees. The follow-on phase will include migrating the database file server to an Oracle platform. ECHO was accredited in December 2002.

The ECHO system has been evaluated and requires an upgrade of the core processing software to the existing Oracle platform that is maintained by an in-house IT contracting staff. It also requires the migration of external users (grantees) from a bulletin-board front end to a web-based platform for submitting payment requests. The task for conversion of the front-end is underway with an expected completion date of December 2003.

FTA's Financial Management Team is also working in conjunction with the FTA procurement office as they implement the web-based version of the PRISM procurement application. It is a logical choice for FTA to pursue the initiative to implement the integrated interface between PRISM and the Delphi accounting system. Due to the fact that several DOT operating administrations are currently utilizing PRISM (FAA, OST/TASC, FHWA, NHTSA, BTS, FTA and Volpe), FTA is actively participating in the DOT-wide procurement work group's efforts to consolidate user licenses to take advantage of the integration that has been developed between PRISM and Delphi. The FAA is converting to PRISM integration that will replace their procurement system (AQUIRE) when they convert to Delphi in October 2003.

## **1.4 *Invest In Human Capital***

In FY 2002, DOT developed a *Human Capital Plan* to strategically guide our human capital planning efforts. This Plan is fully aligned with the President's Management Agenda and the Standards for Success developed by the Office of Management and Budget, Office of Personnel Management, and the General Accounting Office (strategic alignment, workforce planning and deployment, leadership and knowledge management, performance culture, talent, and accountability). DOT's Human Capital Plan includes specific human resource initiatives that will help the Department recruit, develop, and retain the diverse talent needed now and in the future to perform our mission and achieve our strategic goals. During FY 2002, DOT continued implementing workforce planning throughout the operating administrations and will continue through FY 2004, as outlined in DOT's Human Capital Plan. DOT is also migrating to Department of Interior's Federal Personnel and Payroll System (FPPS) which will result in improvements to the human resource operational practices.

## **1.5 *Improve Competitive Sourcing***

DOT is moving ahead on competitive sourcing by identifying over 12,000 positions as performing commercial functions and is conducting reviews on 25 percent of its commercial positions by the end of 2003. Most of these studies have begun and are all moving ahead smartly.

# **OBJECTIVE 2.**

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## **IMPROVING FINANCIAL SYSTEMS**

The Office of Financial Management and the DOT Operating Administrations have made significant improvements to the financial management systems used at the DOT. The following section provides some highlights:

### **2.1 *Delphi: Moving from Implementation to Operations***

Very early in FY 2004, DOT will complete one of our primary Financial Management goal: full conversion to the new DOT-wide Financial Management system, Delphi. This system is both standard general ledger (SGL) and Federal Managers Financial Integrity Act (FMFIA) compliant. Appendix A contains the Delphi conversion and upgrade schedule. As of October 2003, all of DOT's Operating Administrations

(OAs) had converted from DOT's legacy mainframe accounting system (DAFIS) and are in production on Delphi. The final OA to convert to Delphi, FAA, will simultaneously convert to Delphi and implement a Delphi-integrated procurement management system (PRISM). This made DOT the first Department in the Federal government that fully converted *Oracle Federal Financials*.

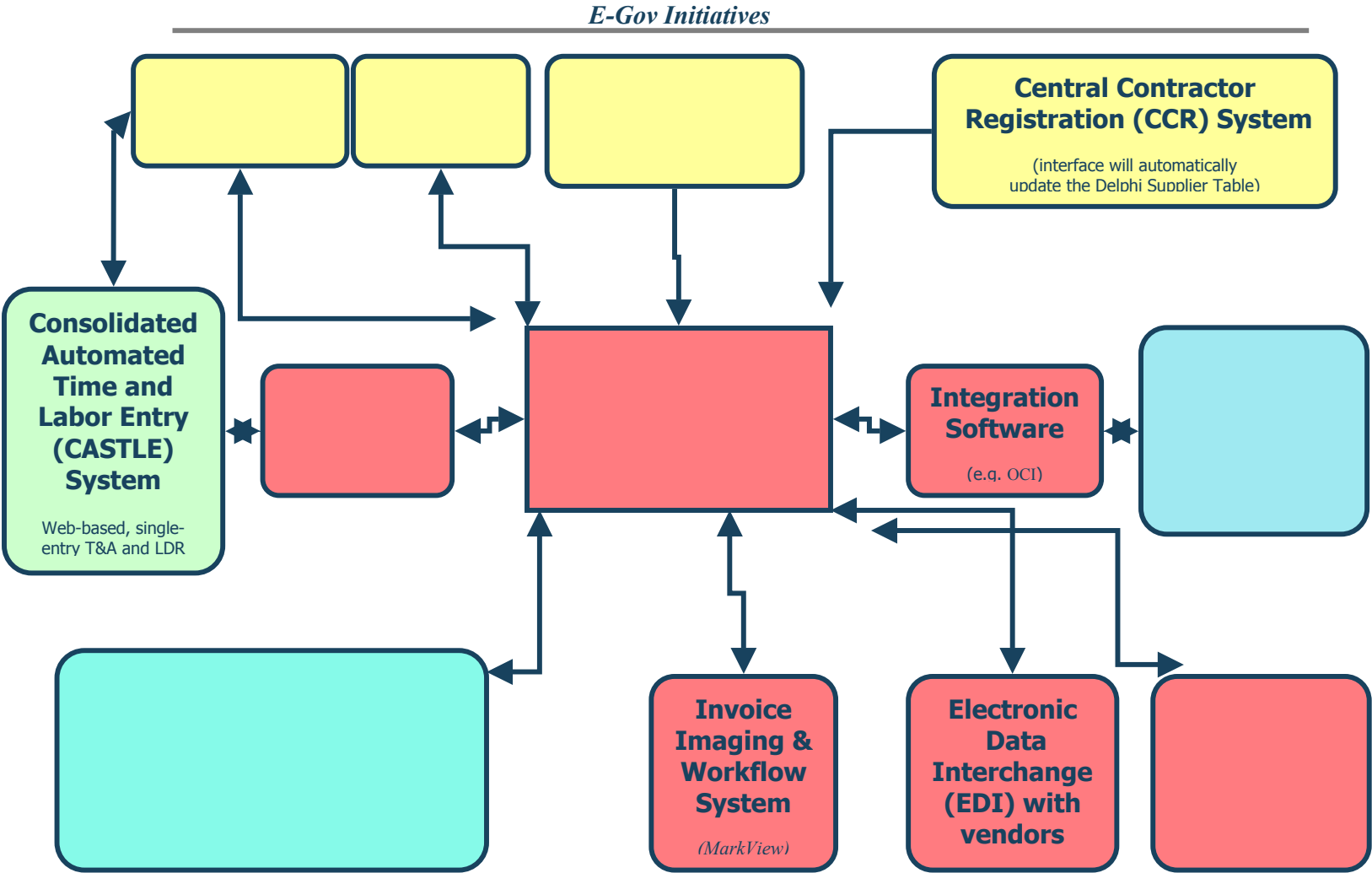
In addition,

- Delphi is Standard General Ledger compliant and provides a single accounting classification structure throughout DOT.
- Delphi produces Financial Statements from the core system, not external spreadsheets, increasing data accuracy, reducing the need for data reconciliation, and enabling DOT to meet OMB's accelerated schedule for year-end closing and Financial Statements.
- Delphi can be upgraded easily to take advantage of evolving capabilities or changing requirements because it is a single-instance, non-customized commercial off-the-shelf (COTS) software solution. Delphi was upgraded to Release 11.5.8 in April 2002.

Our new financial management focus will shift toward enhancing and expanding Delphi's capabilities by integrating or interfacing all DOT financial and financial-related systems (see exhibit titled "DOT Enterprise Architecture" on next page), eliminating duplicate data entry and redundant processes, fully utilizing available management reports and data warehouse analysis tools, and streamlining production support. To give the OAs a greater stake in Delphi, the Office of Financial Management (OFM) established in the Delphi Management Committee that provides overall Delphi management guidance, direction, and coordination. The Delphi Reports User Group that gives members hands-on, practical, information and training. OFM is also planning numerous enhancement projects for Delphi:

- Implementing the Budget Execution Module
- Piloting the Business Intelligence Module
- Implementing an interface to the Central Contactor Registry
- Expanding Invoice Imaging and Workflow Management to all OAs
- Piloting Electronic Data Interchange (EDI) with Fed Ex
- Populating the data warehouse and transferring selected reports to run against it instead of against production

# DOT Enterprise Architecture



- Moving credit card processing from the USCG to FAA in Oklahoma City and integrating the process into Delphi
- Offering the Delphi-Prism integration to all OAs
- Implementing a Salary Management System forecasting tool
- Using the Project Accounting module to support managerial cost accounting and reporting
- Implementing the integrated property management and inventory modules

We will also continue to focus on re-engineering and standardizing both accounting and financial management business processes throughout DOT to take full advantage of the streamlining, integration and automation capabilities offered by *Oracle Federal Financials*.

During the conversion from DAFIS to Delphi, OAs such as NHTSA utilized the Budget Program Activity (BPAC) flex fields to identify each individual state's projects to track trust fund expenditures. This procedure provided NHTSA management with timely information on program resources and activity costs.

Another tightly integrated component of Delphi is the Invoice Imaging and Workflow system, which uses *MarkView* software from 170 Systems, Inc. With Imaging, invoices are scanned and the images are checked for quality control and, with minimal data entry, are permanently associated with the transaction accounting record in Delphi. Invoices are then automatically routed through the workflow for paperless on-screen review and approval, followed by electronic payment. The workflow system also tracks the location each document at all times.

Under this Imaging system, all DOT invoices will be received by a central office location. This central office will process all DOT invoices through the imaging system. After the Imaging system captures invoices' images, all images of invoices will be forwarded to the respective OA and offices for processing payments.

The FRA implemented imaging in April 2001, and workflows have been set up for TSA, OST, BTS, and the OIG to begin using Imaging in early FY 2003, with the remaining OAs to follow soon after. We are setting up Imaging for travel receipts including retrieval for auditing purposes; contract documents can also be imaged for instant access.

## **Moving from Delphi Implementation to an Operational Mode:**

### **Examples from OAs**

In FY 2003, FHWA converted from a legacy accounting system, DAFIS, to the Department's new accounting system, Delphi. FHWA has been working steadfastly with the Delphi team to ensure that system processes and information needed for monthly reconciliation and the financial audit are working properly. In FY 2004, the FHWA will begin reviewing its internal financial accounting work and reconciliation processes under with the new system to identify opportunities for streamlining.

In FY 2003, FHWA revised its grants management system (FMIS) and current billing system (RASPS) to better control the obligation and payment of Federal-Aid Highway funds to their State Partners. The current Federal funds flowing through these systems constitute about 96 percent of all financial transitions managed by FHWA. The current error rate for payments made through these processes is less than 2/10 of one percent. In FY 2004, FHWA plans to implement invoice imaging to expedite the workflow approval and payment processes for vendor claims by the end of the fiscal year.

MARAD converted to DELPHI in June 2003. In addition to sending reports to customers, suppliers, and employees on line as soon as the transactions are completed, adopts the standard US transaction codes and standard attributes.

NHTSA implemented the Delphi system in June 2002. For the past year, the agency has been busily working to fully utilize Delphi. As NHTSA becomes more familiar with the Delphi functionality and reporting capabilities, the agency expects to streamline many processes that would make the financial management function more efficient.

NHTSA has undertaken a project to automate the reconciliation process between the highway traffic safety grant program's Grant Tracking System (GTS) and Delphi via Excel macro programming to ensure that all the current year funds are properly and fully obligated. This program will identify any discrepancy with the specific interface file and the BPAC flex field. This process will also make the GTS interface to Delphi more efficient by reducing time spent searching for errors.

The modification envisioned will enable NHTSA to create adjustment batches to interface into DELPHI to correct erroneous accounting strings. This functionality will allow NHTSA to expedite corrections while minimizing the need for human intervention.

## **2.2 *Integrating Financial Functions:***

### ***Payroll and Human Resources Cross-Servicing***

In April 2004, DOT's payroll and HR will both be migrating to Department of Interior's (DOI) Federal Personnel and Payroll System (FPPS). In order to avoid re-training 14,000 timekeepers to use a new T&A system, the DOT Integrated Personnel and Payroll System (IPPS) will be re-hosted and new interfaces will be developed to FPPS and Delphi. This migration will also improve DOT's labor distribution system and support managerial cost accounting. Most of the OAs will be converted to DOI's payroll system in spring 2004, and FAA will convert to DOI's system by fall 2004. TSA's and civilian Coast Guard payroll will remain on DOT's payroll system until FY 05.

## **2.3 *Integrating Financial Systems:***

### ***Travel Systems at DOT***

Over the past few years, DOT has taken a number of innovative steps to position our travel programs for the future by leveraging technology and adapting to a rapidly changing travel industry. DOT was the Federal government's first department to shift to fee-based pricing for travel agency services to establish a web-based, self-booking service for its employees.

In FY 2003, DOT will begin the implementation of an end-to-end travel service based on the final GSA e-travel/OMB e-gov initiative decision. This will include a web-based system that provides a complete integration of travel management from creating and approving travel authorizations to processing of travel vouchers and reimbursements to the travelers, along with a self-booking web engine for an end-to-end travel service.

DOT has also restructured the delivery of traditional travel agency services. Previously, the Department had contracts with over 40 different travel agencies nationwide. Since the travel agency plays a pivotal role in implementing electronic self-booking services, that arrangement made it difficult to expand the availability of these innovations beyond DOT Headquarters. In December 2002, DOT awarded a new contract and began consolidating the delivery of these services under a single nationwide provider. This is an evolutionary process, taking place over a 12-18 month timeframe. Once complete, however, this consolidation will enable DOT employees across the country to utilize all our electronic travel systems. The result

will be an improvement in the delivery of a standardized level of service and an exponential increase in the savings currently being achieved in Headquarters.

The objective is to make available a single travel portal that offers the traveler a comprehensive menu that includes travel planning, processing, and reimbursement. Our objective is to simplify the experience for the traveler, expedite the delivery of quality services, and reduce costs.

## **2.4 *Integrating Delphi with Procurement, Logistics & Property Management***

With the full conversion of the FAA to Delphi, DOT will have a modern procurement system (PRISM) fully integrated with our state-of-the-art accounting system. DOT has been laying the groundwork for all other OAs to take advantage of this integration, which will eliminate duplicate manual data entry and the need to keep duplicate “cuff records” systems to track commitments and to reconcile these systems with the accounting system. Almost all other OAs now use PRISM on a stand-alone basis and are eagerly awaiting the advantages of this new integration with Delphi.

## **2.5 *Enhancing Security over Financial Systems***

In FY 2002, DOT reported its information security program as a material internal control weakness under the Federal Managers Financial Integrity Act. DOT immediately took corrective actions on the vulnerabilities found. In FY 2003, DOT continued to monitor and resolve vulnerabilities by using a commercial scanning tool to check all web-sites for potential vulnerabilities.

Also during FY 2003, the Office of Inspector General conducted a comprehensive IT security and control audit of Delphi. Based on preliminary findings, we began and in most cases completed implementing corrective actions even before the draft report was issued. Delphi was also re-certified and accredited in September 2003.



# OBJECTIVE 3.

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## MEASURING FINANCIAL PERFORMANCE

During FY 2003, OMB asked each Department to submit new monthly data on financial performance indicators. These monthly reports show the status and trends of pertinent financial data which are indicators of financial performance. The DOT OST Office of Financial Management tracks and monitors the financial data on an on-going basis and has included them in our internal Financial Management Scorecard (see Appendix B).

### 3.1 *Measure Financial Management Scores*

To encourage and measure progress in our financial management initiatives, DOT established a scorecard that provides performance-based criteria, against which the OAs will be held accountable for progress (see Appendix B for complete scorecard). The OAs are actively working to address critical elements of the financial management performance scorecard.

The OFM financial management scorecard is based on criteria that are tracked by the Office of Management and Budget. There are two major categories for tracking DOT's financial management performance: (1) Major OMB issues (e.g., OMB performance indicators, internal budgetary controls, Delphi, audit issues, financial reporting, erroneous payments, and cost accounting) and (2) internal operating efficiency issues (e.g., Imaging, "Do-It-Yourself" Payments, travel cards, TEServ, procurement, and Employee Express). OFM keeps track of DOT's *plans* and *status* reflecting how the OAs are *planning* to improve financial performance and the *status* of their progress.

The results on OFM's financial management scorecard helps DOT "get to green" for improving financial management, one of the five criteria comprising the President's Management Agenda. The scorecard is a tool that DOT OFM uses for change management to benchmark and help toward DOT's strategy in organizational excellence.

### 3.2 *Track Financial Performance Indicators*

For the OAs on Delphi, OFM has compiled DOT's financial data by the OAs and forwards the Department-wide data to OMB. The eight financial indicators that DOT tracks are:

1. *Reconciled/Unreconciled Cash Balances.* This shows absolute value of the cash account balances, both reconciled and unreconciled.
2. *Suspense Account.* This shows the balance in the suspense accounts. It further breaks the balance down by less than and more than 60 days.
3. *Delinquent Accounts Receivable (AR) from the Public.* This shows the balances of delinquent AR from the public from 6 months to a year, from one to two years and finally those greater than two years old.
4. *Electronic Payments.* This indicator provides a status of all vendor electronic and check payments showing the percentage that are electronic.
5. *Non-Credit Card Invoices Paid on Time.* This shows all noncredit card invoices paid on time by dollar and percentage.
6. *Interest Penalties Paid.* This indicator shows the total dollar of the invoices paid, total interest paid and penalties as a percentage of total invoices.
7. *Travel Card Delinquencies.* This indicators shows the amount of travel card balances at the end of the month and the percentage over 60 days
8. *Status of Centrally Billed Accounts.* This indicator shows the amount of the centrally billed account balances at the end of the month and the percentage over 60 days.

In FY 2003, the OAs identified its approach for implementing managerial cost accounting. As a first step, we have identified our major programs (for purposes of the OMB PART process and for program cost delineation). We are also in the process of securing contractor assistance to determine the system/software that we will use, as well as the best approach for integrating cost accounting into program

management, including the identification of information and outputs to be used for program oversight and management decision-making. We are on target to meet DOT's accelerated implementation of cost accounting by July 2004.

### **3.3 *Expand Use of the Project Accounting Module for Managerial Cost Accounting***

While individual OAs are already using the Oracle Project Accounting module in Delphi, we will be expanding use of Project Accounting to support DOT-wide implementation of standardized managerial cost accounting. The integration of Project Accounting with the other Oracle modules in Delphi provides a robust tool for ensuring that managers know how they are using their resources. This will further support DOT's initiative to integrate Budget and Performance Measurement throughout the Department.

We also will explore using Project Accounting to support Labor Distribution data collection and analysis, including the possibility of using Project Accounting and the Oracle Time and Labor module in place of some legacy OA systems.

DOT is actively implementing cost accounting as a means to integrate performance with budget and finance. The 1990 Chief Financial Officers (CFO) Act and Government Performance Results Act (GPRA) indicate that an agency should maintain an integrated accounting and financial management system that reports cost and performance information. In support of these Acts, government organizations are implementing managerial cost accounting to improve financial management.

Tracking costs by activities instead of the traditional object classes such as salaries, printing, maintenance, supplies, and equipment helps achieve the mandates of the Governmental Performance and Results Act (GPRA) that focuses Federal programs on performance. Our plan to fully implement managerial cost accounting is by July 1, 2004 in support of the President's Management Agenda.

### **3.4 *Meet Government-wide FFMA and FMFIA Requirements***

The Federal Manager's Financial Integrity Act (FMFIA) milestones for resolving material weaknesses are reported to OST's Financial Management Office where the information is compiled into a report and sent to OMB. The FMFIA Report is sent to

Congress and the President around the time DOT's budget is submitted to Congress. The 1950 Budget and Accounting Procedures Act (64 Stat 832) requires Federal Managers to establish and maintain adequate systems of management control. This Act requires the Head of each Agency to conduct an annual evaluation of its management controls (Section 2). A 5 Year Financial Management Plan is part of the FMFIA Report that is submitted to Congress and the President.

For FY 2003, DOT met Section 2 and Section 4 FMFIA requirements except for information security in the Office of the Chief Information Officer (Section 2), cost reimbursable contracts for FAA (Section 2), and financial reporting deficiencies for FHWA (Section 4). In FY 2003, two of the five material weaknesses related to TSA from FY 2002 were transferred to DHS with open recommendations. One material weaknesses related to FTA was resolved in FY 2003, one related to IT security is a continuation from FY 2002, and there is one new material weakness related to Delphi in FY 2003 (see Appendix D for the charts showing the material weaknesses and timelines to resolve them). In summary, the number of material weaknesses decreased from five in FY 2002 to three in FY 2003.

<b>FMFIA Material Weakness</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
Section 2	0	1	4	2
Section 4	1	1	1	1
<b>Total # of FMFIA Material Weaknesses</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>3</b>

For DOT, the Chief Financial Officer is to provide guidance for complying with reporting requirements of FMFIA Sections 2 and 4, and prepare the consolidated DOT FMFIA annual report. To accomplish this, the OA and OST managers maintain adequate management controls over the resources, determine how best to meet the requirements of OMB Circulars A-123 and A-127 (i.e., structure their internal management control systems in the most efficient and effective ways), encourage accountability, responsibility and authority to their line managers to assess the controls over functional areas, and ensure that any deficiencies are corrected in a timely manner.

The Federal Financial Improvement Act (FFMIA) builds on the foundation laid by the Chief Financial Officers (CFO) Act of 1990 by emphasizing the need for agencies to have financial management systems that can generate timely, accurate, and useful

information with which to make informed decisions. The Department is working toward full compliance with FFMIA by updating DOT's legacy accounting system to Delphi for auditable financial statements, ensuring that Delphi utilizes the U.S. Government Standard General Ledger, implementing managerial cost accounting standards by July 1, 2004, and working to eliminate material weaknesses for DOT's financial, accounting, and information security programs.

### 3.5 *Prepare DOT's Audited Financial Statements*

DOT has received a clean audit in FY 2000, 2001, and 2002. We continue to work to receive a clean audit opinion for FY 2003. Migration to a new accounting system provides unique challenges during the audit process. Our OAs are actively participating in a Financial Statements Work Group, and an Intra-Governmental Eliminations Work Group. They are tracking accruals, and preparing Financial Statements on a monthly basis as required by OST. These activities are aimed at preparing DOT for an accelerated year-end close and identifying early on any problems that need to be resolved prior to year end closing.

YEAR	AUDIT OPINION
FY 2000	✓ Clean Audit Opinion
FY 2001	✓ Clean Audit Opinion
FY 2002	✓ Clean Audit Opinion

The OAs have also been reconciling General Ledger balances and reviewing their Financial Statements Generator (FSG) set up to ensure they are ready for year-end closing. The OAs will also be focusing on transmitting all FACTS I and FACTS II data via DELPHI bulk transmission.

### 3.6 *Continue Recovery Audits*

DOT has established an innovative program of Recovery Audits. The OAs have entered into a blanket purchase agreement with the Profit Recovery Group (PRG) to recover erroneous payments made to vendors. This is the center-piece of DOT's erroneous payments initiative. DOT plans to make better progress with tracking erroneous payments (see summary chart on DOT Audit Measurements by OA and detailed chart in Appendix C).

## DOT Audit Measurements

As of September 27, 2003

Agency	Estimated	total % complete	Adjusted	Overpayments	Error Rate
	Amt to audit		amt complete	recovered	
FHWA	\$ 554,400,000.00	69.25%	\$ 383,922,000.00	\$ 53,522.40	0.0139%
FAA	\$ 1,540,000,000.00	36.5%	\$ 562,100,000.00	\$ 24,209.94	0.0043%
FTA	\$ 275,000,000.00	37.00%	\$ 101,750,000.00	\$ 68,155.00	0.0670%
NHTSA	\$ 57,200,000.00	25.00%	\$ 14,300,000.00	\$ -	0.00%
OIG	\$ 5,500,000.00	3.00%	\$ 165,000.00	\$ -	0.00%
FMCSA	\$ 4,950,000.00	47.00%	\$ 2,326,500.00	\$ -	0.00%
VOLPE	\$ 4,400,000.00	1.00%	\$ 44,000.00	\$ -	0.00%
OST- WCF	\$ 82,500,000.00	2.00%	\$ 1,650,000.00	\$ -	0.00%
FRA	\$ 57,200,000.00	31.00%	\$ 17,732,000.00	\$ 8,341.36	0.0470%
RSPA	\$ 3,850,000.00	0	\$ 38,500.00	\$ -	0.00%
MARAD	\$ 2,750,000.00	5.00%	\$ 137,500.00	\$ -	0.00%
OST	\$ 1,100,000.00	26.00%	\$ 286,000.00	\$ -	0.00%
BTS	\$ 550,000.00	50.00%	\$ 275,000.00	\$ -	0.00%
DOT	\$ 2,589,400,000.00	41.89%	\$ 1,084,726,500.00	\$ 154,228.70	0.0142%
<b>Totals</b>	\$ 2,589,400,000.00	41.89%	\$ 1,084,726,500.00	\$ 154,228.70	0.0142%

### 3.7 *Integrate Performance and Accountability (GPRA)*

DOT published our first Performance and Accountability Report for Fiscal Year 2002 in accordance with the Consolidation Act of 2000. This annual report integrates DOT's Performance Report with our consolidated Financial Statements and the resulting DOT Inspector General's opinion on DOT's financial statements, internal controls, and compliance with applicable laws and regulations. It also includes the Inspector General's 2003 report on the Department's Top Management Challenges and a summary of the Department's actions in response to the Office of the Inspector General's 2002 Top Management Challenge.

DOT is committed to embodying the President's goals of a citizen-centered, results-based, market-oriented government. DOT's goal is aimed to make measurable improvements in our transportation system, the security of our Nation, and the quality of American life.

Beyond FY 2003, several OAs will use Panorama Business (PB) Views to manage performance management. PB Views is a COTS software with a dashboard display. It will be used by FAA to help measure performance for increased accountability and to generate management reports for making effective decisions. It enables organizations to assess performance at a glance with customizable, color-coded scorecard measures, drilling down the measures by agency, programs, or geographic locations. DOT will measure PMA and DOT's strategic goals using PB Views.

### **3.8 *Improve Administration of Grants***

DOT will work with Treasury's Financial Management Service team to migrate the Electronic Certification System (ECS) from the current client server environment to Treasury's web-based Secure Payment System (SPS).

The impact of financial management improvement will be enhancement of services to all of our customers through improved communications, utilizing web-sites for information retrieval by customers, expanded e-mail notifications for electronic approvals and more efficient reporting tools to provide flexibility for the dissemination of reports.

#### **Interface of MARAD's Port Security Grant Acquisition System and the Accounting System**

For the first time, MARAD now has a grant acquisition program as a result of a reimbursable agreement with Department of Homeland Security, Transportation Security Administration for providing competitive grants to political subdivisions, states, and local and critical National seaports to finance the cost of enhancing facilities and operational security. MARAD's Office of Acquisition has developed a grant system to help manage grants and has established an interface between their grant system and the Delphi accounting system. This interface will reduce administrative burdens and speed up grant obligation and payment process.

# APPENDIX A

## Delphi Conversion and Upgrade Schedule

### 1988

Late 1998 *Oracle Federal Financials* COTS software selected.

### 2000

April 2000 FRA converted to Delphi.

October 2000 RSPA, OIG and TASC converted to Delphi.

### 2001

April 2001 BTS, OST and STB converted to Delphi.

December 2001 Delphi upgraded to version 11*i*– Release 11.5.5.

### 2002

February 2002 TSA (new agency) set up in Delphi.

June 2002 FTA and NHTSA convert to Delphi.

August 2002 Delphi upgraded to Release 11.5.6.

### 2003

February 2003 Invoice Imaging & Workflow system moved from USCG to OKC.

March 2003 2 new application servers added to production (3-tier architecture).

March 2003 FHWA & FMCSA converted to Delphi, which is now processing 75% of DOT's total budget.

April 2003 Delphi upgraded to Release 11.5.8; Data Warehouse in production.

May 2003 Volpe converted to Delphi.

June 2003 MARAD converted to Delphi.

July 2003 1<sup>st</sup> Disaster Recovery test at FAA Great Lakes Region.

September 2003 2<sup>nd</sup> Disaster Recovery test.

October 2003 3<sup>rd</sup> new application server added and new database server to go into production.

October 2003 FAA converts to Delphi with Oracle-Compusearch Integration (OCI) integrating PRISM (procurement system) with Delphi.

### 2004

January 2004 4<sup>th</sup> new application server added.

February 2004 Upgrade planned to Release 11.5.9.



# APPENDIX B

## Financial Management Scorecard

The financial management scorecard used to rate the OAs is shown as follows:

### PER OMB, OVERALL STATUS

Elements/POC	Criteria	Points	FAA	FHWA	FRA	NHSTA	FTA	MARAD	BTS	FMCSA	OIG	OST	RSPA	VOLPE	
Major OMB Issues A drop in any category will result in a one level drop in overall rating	OMB Performance Indicators	Timely and accurate accounting	15	13	5	15	15	15	15	15	15	15	15	15	
		In top 25% of government agencies	15	10	5	11	10	15	15	15	15	15	10	15	15
		Make 80% of all payments electronically	10	9	10	10	9	10	10	10	10	9	5	5	10
	Internal Budgetary Controls	Effective internal controls in place	20	20	15	20	20	20	20	20	20	20	20	20	20
		No anti-deficiency violations	20	20	0	20	20	0	20	20	20	20	0	20	20
	Delphi 40 pts	Delphi implementation completed	40	20	40	40	40	40	40	40	40	40	40	40	40
	Audit Issues 40 pts	All Audit Issues/Material Weaknesses/Reportable Conditions resolved in current period	20	10	10	20	20	10	20	20	10	20	10	20	20
		All deadlines met for resolving audit/material weaknesses & accurate financial statements	20	15	20	20	20	15	20	20	10	20	15	20	20

	<b>Financial Reporting</b> 40 pts	Accurate & timely reports for Treasury/OMB submitted	5	4	4	5	5	4	5	5	5	5	4	5	5	
		Meet accelerative FS schedule	5	5	5	5	5	5	5	5	5	5	5	5	5	5
		Audited Statements consistent with FACTS reporting	5	5	5	3	5	5	5	5	5	5	5	5	5	5
		All Intragovernmental Eliminations reconciled	5	1	0	3	0	2	3	2	3	0	3	2	3	
		Actively participate in FS and IE working groups	20	20	10	20	20	20	20	20	10	20	20	20	20	
	<b>Erroneous Payments</b> 40 pts	Complete participation in erroneous payment process	10	8	8	8	8	5	2	8	5	5	8	5	8	
		Completed all detailed timetables to meet OMB guidance	15	5	5	5	5	5	0	5	0	5	5	5	5	
		In top quarter of gov agencies for erroneous payments	15	7	7	6	6	5	6	7	8	8	8	7	7	
	<b>Managerial Cost Accounting</b> 40 pts	Cost accounting implemented by July 1, 2004	20	12	0	2	0	0	6	4	6	3	4	4	9	
		Information provided to mgmt for daily use/operations	20	10	0	7	0	0	12	10	12	10	10	10	15	
<b>Internal Operating Efficiency Issues</b>	<b>Imaging</b> 20 pts	Workflow plans developed and approved	10	0	0	10	0	5	0	10	0	10	10	0	0	
		Delphi imaging implemented	10	0	0	10	0	0	0	10	0	0	0	0	0	
	<b>DIY/GPEA</b> 20 pts	All collections web enabled	10	7	5	9	10	10	0	0	7	5	10	8	5	
		Processes 25% of collections through DIY	10	7	5	3	10	10	0	0	10	0	10	10	0	
	<b>Travel Card</b> 20 pts	Travel card delinquencies reduced to 3%	20	15	20	20	20	20	20	20	20	20	20	20	20	
	<b>TEServ</b> 20 pts	Implementation completed	20	5	0	0	0	0	1	8	0	0	10	0	2	

	<b>Procurement 15 pts</b>	Participate in planning process for procurement integration	10	10	5	5	0	10	10	10	0	10	10	5	10
		Procurement system integrated or interfaced with accounting systems	5	5	0	0	0	0	5	2	0	0	0	0	0
	<b>Employee Exp 5 pts</b>	Employee Express made mandatory	5	0	5	5	5	5	0	5	5	5	5	5	0
<b>Green</b>	<b>300+</b>	<b>Total Points</b>	<b>380</b>	<b>243</b>	<b>189</b>	<b>282</b>	<b>253</b>	<b>236</b>	<b>260</b>	<b>296</b>	<b>241</b>	<b>275</b>	<b>262</b>	<b>266</b>	<b>284</b>
<b>Yellow</b>	<b>299-261</b>	<b>DOT AVG</b>	<b>257.25</b>	<b>Red</b>	<b>Red</b>	<b>Yellow</b>	<b>Red</b>	<b>Red</b>	<b>Red</b>	<b>Yellow</b>	<b>Red</b>	<b>Yellow</b>	<b>Yellow</b>	<b>Yellow</b>	<b>Yellow</b>
<b>Red</b>	<b>260 and below</b>	<b>Overall DOT Rating</b>	<b>Red</b>												

## PER OMB OVERALL PROGRESS

	Elements/POC	Criteria	Points	FAA	FHWA	FRA	NHSTA	FTA	MARAD	BTS	FMCSA	OIG	OST	RSPA	VOLPE	
Major OMB Issues A drop in any category will result in a one level drop in overall rating	<b>OMB Performance Indicators 40 pts</b>	Plans in place to ensure timely and accurate accounting	15	15	15	15	15	15	15	15	15	15	15	15	15	
		Plans in place to be in top 25% of government agencies	15	15	15	15	15	15	15	15	15	15	15	15	15	
		Plans in place to make 80% of all payments electronically	10	10	10	10	10	10	10	10	10	10	10	10	10	
	<b>Internal Budgetary Controls 40 pts</b>	Effective internal controls to ensure no anti-deficiency violations	40	40	35	40	40	40	40	40	40	40	40	40	40	
	<b>Delphi 40 pts</b>	Implementation plan in place	20	20	20	20	20	20	20	20	20	20	20	20	20	20
		Delphi implementation completed	20	10	20	20	20	20	20	20	20	20	20	20	20	20

	<b>Audit Issues</b> 40 pts	Effective Plans in place to resolve Audit Issues/Material Weaknesses/Reportable Conditions in current period	20	19	20	20	20	20	20	20	20	10	20	20	20	20	
		On schedule to meet deadlines for resolving audit/material weaknesses & accurate financial statements	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
	<b>Financial Reporting</b> 40 pts	Plans in place to submit accurate & timely reports to Treasury/OMB	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
		Plans in place to meet accelerated FS schedule	5	5	3	5	5	5	3	5	5	5	5	5	5	5	3
		Plans provide consistency between Audited Statements & FACTS Reporting	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
		Plans in place to reconcile Intragovernmental Eliminations	5	2	2	2	0	0	2	0	0	0	0	2	0	0	0
		Actively participate in FS and IE working Groups	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
	<b>Erroneous Payments</b> 40 pts	Active participation in erroneous payment process	10	7	7	7	7	7	2	7	2	7	7	7	7	7	7
		Plans and detailed timetable to meet OMB guidance	15	5	5	5	5	5	0	5	0	5	5	5	5	5	5
		In top quarter of gov. agencies for erroneous payments	15	7	7	7	7	7	7	7	7	7	7	7	7	7	7
	<b>Managerial Cost Accounting</b> 40 pts	Plans to implement by July 1, 2004	10	10	10	10	10	10	10	10	10	10	10	10	10	10	5
		Progress towards meeting interim milestones	15	12	0	8	0	5	8	8	12	12	6	8	8	6	6
		Provide information to mgmt for daily use/operations	15	10	0	8	0	0	8	3	15	15	8	12	12	15	15

<b>Internal Operating Efficiency Issues</b>	<b>Imaging 20 pts</b>	Workflow plans developed and approved	10	2	0	10	5	10	10	10	5	10	10	5	0	
		Implementation on Schedule	10	0	0	10	10	5	5	10	0	5	5	5	0	
	<b>DIY/GPEA 20 pts</b>	Plans in place to web enable all collections to meet GPEA	10	10	10	10	10	10	10	10	10	10	10	10	10	10
		Marketing plan in place to increase DIY traffic	10	10	10	5	10	0	10	10	10	10	10	10	0	
	<b>Travel Card 20 pts</b>	Plans to manage and reduce travel card delinquencies	20	20	20	20	20	20	20	20	20	20	20	20	20	
	<b>TEServ 20 pts</b>	Implementation plan developed and approved	10	10	2	1	2	5	5	10	2	2	10	2	8	
		Implementation on Schedule	10	3	0	0	0	0	2	8	0	0	10	0	2	
	<b>Procurement 15 pts</b>	Participate in procurement integration planning process	10	10	10	7	5	10	10	10	10	10	10	10	10	
		Plan to integrate or interface procurement system with accounting systems	5	5	5	5	0	5	5	5	5	5	5	5	5	
	<b>Employee Exp 5 pts</b>	Plans to make Employee Express mandatory	5	0	5	5	5	5	5	5	5	5	5	5	5	
<b>Green</b>	<b>300+</b>	<b>Point Total</b>	<b>380</b>	<b>307</b>	<b>281</b>	<b>315</b>	<b>291</b>	<b>299</b>	<b>312</b>	<b>333</b>	<b>298</b>	<b>328</b>	<b>335</b>	<b>316</b>	<b>298</b>	
<b>Yellow</b>	<b>299-261</b>	<b>DOT AVG</b>	<b>309.42</b>	<b>Green</b>	<b>Yellow</b>	<b>Green</b>	<b>Yellow</b>	<b>Yellow</b>	<b>Green</b>	<b>Green</b>	<b>Yellow</b>	<b>Green</b>	<b>Green</b>	<b>Green</b>	<b>Yellow</b>	
<b>Red</b>	<b>260 and below</b>	<b>DOT Overall Rating</b>	<b>Green</b>													



Agency	Estimated Amt to audit	activity	Audit Scope % of audit	% complete	total % complete	Adjusted amt complete	Overpayments recovered	error rate
OIG		Statements	20%	15%	3.00%			
		Dup reports-PRG data	20%	0%	0%			
		Invoice review	10%	0%	0%			
		Contract review	40%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 5,500,000.00</b>				<b>3.00%</b>	<b>\$ 165,000.00</b>	<b>\$ -</b>	<b>0.00%</b>
FMCSA		Statements	20%	100%	20.00%			
		Dup reports-PRG data	20%	95%	19.00%			
		Invoice review	10%	80%	8.00%			
		Contract review	40%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 4,950,000.00</b>				<b>47.00%</b>	<b>\$ 2,326,500.00</b>	<b>\$ -</b>	<b>0.00%</b>
VOLPE		Statements	20%	5%	1%			
		Dup reports-PRG data	20%	0%	0%			
		Invoice review	10%	0%	0%			
		Contract review	40%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 4,400,000.00</b>				<b>1.00%</b>	<b>\$ 44,000.00</b>	<b>\$ -</b>	<b>0.00%</b>
OST-WCF		Statements	20%	10%	2%			
		Dup reports-PRG data	20%	0%	0%			
		Invoice review	10%	0%	0%			
		Contract review	40%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 82,500,000.00</b>				<b>2.00%</b>	<b>\$ 1,650,000.00</b>	<b>\$ -</b>	<b>0.00%</b>
FRA		Statements	20%	80%	16.00%			
		Dup reports-PRG data	20%	50%	10.00%			
		Invoice review	10%	50%	5%			
		Contract review	40%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 57,200,000.00</b>				<b>31.00%</b>	<b>\$ 17,732,000.00</b>	<b>\$ 8,341.36</b>	<b>0.0470%</b>

Agency	Estimated Amt to audit	activity	Audit scope % of audit	% complete	total % complete	Adjusted amt complete	Overpayments recovered	error rate
RSPA		Statements	20%	5%	1.00%			
		Dup reports-PRG data	20%	0%	0%			
		Invoice review	10%	0%	0%			
		Contract review	40%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 3,850,000.00</b>				<b>0</b>	<b>\$ 38,500.00</b>	<b>\$ -</b>	<b>0.00%</b>
MARAD		Statements	20%	25%	5%			
		Dup reports-PRG data	20%	0%	0%			
		Invoice review	10%	0%	0%			
		Contract review	40%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 2,750,000.00</b>				<b>5.00%</b>	<b>\$ 137,500.00</b>	<b>\$ -</b>	<b>0.00%</b>
OST		Statements	20%	80%	16.00%			
		Dup reports-PRG data	20%	50%	10.00%			
		Invoice review	10%	0%	0%			
		Contract review	40%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 1,100,000.00</b>				<b>26.00%</b>	<b>\$ 286,000.00</b>	<b>\$ -</b>	<b>0.00%</b>
BTS		Statements	15%	0%	0%			
		Dup reports-PRG data	10%	0%	0%			
		Invoice review	50%	100%	50.00%			
		Contract review	10%	0%	0%			
		Trend Analysis	10%	0%	0%			
	<b>\$ 550,000.00</b>				<b>50.00%</b>	<b>\$ 275,000.00</b>	<b>\$ -</b>	<b>0.00%</b>
DOT	<b>\$ 2,589,400,000.00</b>				<b>41.89%</b>	<b>\$ 1,084,726,500.00</b>	<b>\$ 154,228.70</b>	<b>0.0142%</b>
<b>Totals</b>								<b>** see footnote</b>

\*\* Error rate for DOT is based on total overpayments divided by total adjusted amount complete. It is not the sum of the error rates for each Individual agencies' error rates are based on their specific overpayments in relationship to their specific audit dollar volume.



# APPENDIX D

## Material Weaknesses and Timeline for Resolution

**DEPARTMENT OF TRANSPORTATION (DOT)  
OFFICE OF THE SECRETARY OF TRANSPORTATION (OST)  
MATERIAL WEAKNESS**

**MATERIAL WEAKNESS:** The DOT Information Security Program is a critical component of the overall infrastructure protection of DOT. Program policy is managed by the Office of the CIO and is integrated throughout the Department through the DOT CIO Council and the IT Security Committee of the Council. Numerous audit reports including the recently released FI-2003-086 have highlighted Information Technology (IT) security shortfalls throughout DOT. These shortfalls could adversely affect the confidentiality, availability, and integrity of DOT IT Systems.

**Program Manager:** Victoria Lord, S-81, (202) 366-4932.

**Source:** Management (OIG Information Security Program Audit Report FI-2003-086 dated 9/25/03)

EXECUTIVE SUMMARY	MILESTONES	DATES O=Original L=Last Year C=Current	ACTUAL DATE  (As of 9/30/03)
<p><b>How shall we fix it?</b> Continue to implement a coordinated approach to securing DOT IT systems. This Year's key activity will be continued Certification/Accreditation of DOT major/Mission Critical Systems (goal is 90% by July 2004). Additionally, the DOT CIO will work with the OAs to improve reporting in the areas of security incidents, dial-up access security, security cost estimating, contractor background checks, and contracts security language.</p> <p><b>How will we know it's fixed?</b> When all parts of DOT are reporting data which meets the performance criteria established in the President's Management Scorecard and the DOT IT Security Performance Measurement Program; and the OA programs reflect progress in accordance with</p>	<p><b><u>Year Identified:</u></b></p> <p><b><u>Completed :</u></b></p> <ul style="list-style-type: none"> <li>• DOT CIO will work with the Office of Security and Administrative Management too issue guidance requiring OAs to verify that contractor background checks are completed and to report progress quarterly.</li> <li>• DOT CIO will work with the Office of the Senior Procurement Executive to issue guidance requiring OAs to incorporate IT security requirements into all IT contracts, and require OAs to report progress quarterly.</li> <li>• OCIO will issue guidance for performing a comprehensive inventory of DOT IT Systems.</li> <li>• The FAA OCIO will work with DOT OIG to bring together</li> </ul>	<p style="text-align: center;">2001</p> <p>O - 11/2002</p> <p>O - 3/2003</p> <p>O - 01/2003</p> <p>O - 06/2003</p>	

**MATERIAL WEAKNESS:** The DOT Information Security Program is a critical component of the overall infrastructure protection of DOT. Program policy is managed by the Office of the CIO and is integrated throughout the Department through the DOT CIO Council and the IT Security Committee of the Council. Numerous audit reports including the recently released FI-2003-086 have highlighted Information Technology (IT) security shortfalls throughout DOT. These shortfalls could adversely affect the confidentiality, availability, and integrity of DOT IT Systems.

**Program Manager:** Victoria Lord, S-81, (202) 366-4932.

**Source:** Management (OIG Information Security Program Audit Report FI-2003-086 dated 9/25/03)

EXECUTIVE SUMMARY	MILESTONES	DATES O=Original L=Last Year C=Current	ACTUAL DATE
<p>identified goals, as monitored by the Scorecard and Performance Measurement Program.</p> <p><b>How are we doing?</b> On Target. We are in the process of expanding the scope of the IT Security Program. Last year we developed a comprehensive system inventory; completed certification/accreditation of 68% of DOT's major/mission critical systems; developed a web-based tool to measure and track the DOT IT Security program; improved the accuracy of security cost estimating for the FY 2005 budget submission. This year we will be completing certification/accreditation of 90% of DOT's major/mission critical IT systems, continuing development of the DOT Enterprise Security portal, working with the OAs to improve and enhance their IT Security posture.</p>	<p>the FAA Offices of Air Traffic and Airway Facilities to discuss the development of a comprehensive contingency plan to ensure continued air traffic control operations during extended periods of system shutdown.</p> <ul style="list-style-type: none"> <li>• The FAA OCIO will submit a plan to have infrastructure critical air traffic control systems, computer centers, and facilities certified for adequate security.</li> <li>• OAs to submit their inventory of IT Systems to DOT CIO</li> <li>• OAs to submit their Certification/Accreditation schedule for all Mission Critical Systems to DOT CIO.</li> <li>• Require all OAs to submit security costs with their FY 2005 budget submission for Major Systems.</li> </ul> <p><b>Planned:</b></p> <ul style="list-style-type: none"> <li>• DOT OAs to provide DOT CIO with schedules for Certifying and Accrediting 90% of their major/mission critical systems</li> <li>• DOT Enterprise IT Security Division will develop procedures to improve the authorization process for analog telephone lines</li> <li>• DOT CIO will work with OAs to develop a Departmental Patch Management Solution</li> <li>• DOT Enterprise IT Security Division in cooperation with FAA will analyze the feasibility/cost-effectiveness of utilizing technical monitoring devices to detect unsecured dial-up modem connections.</li> </ul>	<p>O – 07/2003</p> <p>O - 05/2003 O - 05/2003</p> <p>O - 09/2003</p> <p>O - 12/2003</p> <p>O - 12/2003</p> <p>O - 09/2004</p> <p>O - 01/2004</p> <p>O – 01/2004</p>	

**MATERIAL WEAKNESS:** The DOT Information Security Program is a critical component of the overall infrastructure protection of DOT. Program policy is managed by the Office of the CIO and is integrated throughout the Department through the DOT CIO Council and the IT Security Committee of the Council. Numerous audit reports including the recently released FI-2003-086 have highlighted Information Technology (IT) security shortfalls throughout DOT. These shortfalls could adversely affect the confidentiality, availability, and integrity of DOT IT Systems.

**Program Manager:** Victoria Lord, S-81, (202) 366-4932.

**Source:** Management (OIG Information Security Program Audit Report FI-2003-086 dated 9/25/03)

EXECUTIVE SUMMARY	MILESTONES	DATES O=Original L=Last Year C=Current	ACTUAL DATE
	<ul style="list-style-type: none"> <li>• DOT TCIRC update existing incident reporting guidance to be consistent with central reporting authority guidance.</li> <li>• DOT CIO will issue updated guidance for IT System contingency and continuity of operations planning and testing.</li> <li>• OAs to certify in writing to OCIO that all existing network connections have been assessed and adequately secured.</li> <li>• DOT to complete certification/accreditation of 90% of major/mission critical systems.</li> <li>• Require all OAs to submit security costs with their FY 2006 budget submission for Major Systems.</li> <li>• DOT Enterprise IT Security Division will perform quarterly compliance reviews of connections to DOT's internal networks</li> <li>• Work with DOT Senior Procurement Executive and the Director of Office of Security and Administrative Management to ensure adequate background checks are performed on personnel performing sensitive computer work.</li> <li>• Direct OA's to perform vulnerability assessments of their computers to ensure timely installation of software patches.</li> <li>• Perform quality assurance checks on C&amp;A reviews to ensure adequate testing of security controls and proper accreditation by DAA and require OA's to track security</li> </ul>	<p>O - 06/2004</p> <p>O - 07/2004</p> <p>O - 07/2004</p> <p>O - 09/2004</p> <p>O - 09/2004</p> <p>O - 09/2004</p> <p>O - 06/2004</p> <p>O - 09/2004</p> <p>O - 09/2004</p> <p>O - 12/2004</p>	

**MATERIAL WEAKNESS:** The DOT Information Security Program is a critical component of the overall infrastructure protection of DOT. Program policy is managed by the Office of the CIO and is integrated throughout the Department through the DOT CIO Council and the IT Security Committee of the Council. Numerous audit reports including the recently released FI-2003-086 have highlighted Information Technology (IT) security shortfalls throughout DOT. These shortfalls could adversely affect the confidentiality, availability, and integrity of DOT IT Systems.

**Program Manager:** Victoria Lord, S-81, (202) 366-4932.

**Source:** Management (OIG Information Security Program Audit Report FI-2003-086 dated 9/25/03)

EXECUTIVE SUMMARY	MILESTONES	DATES O=Original L=Last Year C=Current	ACTUAL DATE
	expenditures. <ul style="list-style-type: none"> <li>• FAA develop and implement a timetable to conduct security certification reviews at operational sites.</li> <li>• Develop and implement plans to perform business impact analysis and issue guidance on the minimum acceptable geographic distance between primary and recovery site.</li> </ul>		

**DEPARTMENT OF TRANSPORTATION (DOT)  
FEDERAL AVIATION ADMINISTRATION (FAA)  
PENDING MATERIAL WEAKNESS**

**MATERIAL WEAKNESS:** FAA's management and oversight of billions of dollars of cost-reimbursable contracts, which have few inherent protections against cost-overruns or improper payments for unallowable costs, is not adequate to ensure that the Government's interests are protected. Specifically, FAA does not have effective processes in place to request audits of billions of dollars of expenditures, to ensure that reliable cost estimates have been prepared and used, or to account for billings and expenditures for these contracts properly.

**Program Manager:** Brian Isham (202) 267-7862.

**Source:** OIG Report FI-2002-092 (5/8/2002).

EXECUTIVE SUMMARY	MILESTONES	<b>PLANNED DATES</b> <b>O=Original</b> <b>L=Last Year</b> <b>C=Current</b>	<b>ACTUAL DATES</b>
<p><b>How shall we fix it?</b> Improve the procedures and processes over which cost-reimbursable contracts are awarded and monitored.</p> <p><b>How will we know it's fixed?</b> All incurred cost audits are complete for all performance years of contracts as required; final invoices are submitted; Government property is properly accounted for; contract costs are reconciled; and contract funds are appropriately and timely de-obligated.</p> <p><b>How are we doing?</b> On target.</p>	<p><b><u>Year Identified:</u></b></p> <p><b><u>Completed –</u></b></p> <ul style="list-style-type: none"> <li>-- Issue policy for completion of cost-incurred audits of all contracts over \$100 M and 15 per cent of those below \$100M.</li> <li>-- Issue policy on retention of contracts not ready for closeout.</li> <li>-- Issue reminders to Contracting Officers of agency contracting requirements. Employee performance plans include compliance requirements.</li> <li>-- Issue policy guidance for pre-award contractor survey; and determination of adequacy of contractors' accounting systems.</li> <li>-- Develop standard operating procedures to enhance contract management function.</li> </ul> <p><b><u>Planned (Near-Term) –</u></b></p> <ul style="list-style-type: none"> <li>-- Bottom-up review of contract management function.</li> <li>-- Provide for funding of cost-incurred audits for contracts.</li> </ul>	<p style="text-align: center;">2002</p> <p style="text-align: center;">03/2002</p> <p style="text-align: center;">03/2002</p> <p style="text-align: center;">03/2002</p> <p style="text-align: center;">06/2002</p> <p style="text-align: center;">06/2002</p>	<p style="text-align: center;">03/2002</p> <p style="text-align: center;">04/2002</p> <p style="text-align: center;">04/2002</p> <p style="text-align: center;">04/2002</p> <p style="text-align: center;">04/2002</p> <p style="text-align: center;">06/2003</p>

EXECUTIVE SUMMARY	MILESTONES	<b>PLANNED DATES</b> <b>O=Original</b> <b>L=Last Year</b> <b>C=Current</b>	<b>ACTUAL DATES</b>
	<p><b><u>Planned (Long-Term)</u></b> –  -- Close out the backlog of completed contracts.</p> <p><b><u>Completion Dates:</u></b></p>	<p>06/2003</p> <p>06/2003</p> <p>09/2004</p> <p><b>O – 09/2005</b>  <b>L – 09/2004</b>  <b>C – 09/2004</b></p>	<p>06/2003</p>

**DEPARTMENT OF TRANSPORTATION (DOT)  
OFFICE OF THE SECRETARY – OFFICE OF FINANCIAL MANAGEMENT (OST OFM)  
PENDING MATERIAL WEAKNESS**

**MATERIAL WEAKNESS:** OST's Office of Financial Management (OFM) is reporting a material weakness due to some of the Operating Administrations not having reconciled their intragovernmental balances with the trading partners. DOT needs reporting entities to reconcile intragovernmental assets, liability, a revenue amounts by confirming balances with their trading partners. Treasury and OMB are requiring the Federal agencies to provide intra-governmental activities by fund code, Standard General Ledger (SGL), trading partners, and exchange/non-exchange attributes.

**Program Manager:** Laurie Howard, OST B-30, (202) 366-2135.

**Source:** Management.

EXECUTIVE SUMMARY	MILESTONES	PLANNED DATES O=Original L=Last Year C=Current	ACTUAL DATES
<p><b>How shall we fix it?</b> Improve the operational accounting procedures and department-wide financial management by having all of the Operating Administrations(OA) reconcile their intragoivernmetnal balances. OST will work with the OAs to reconcile feeder systems data with the Delphi departmental accounting system and clear suspense accounts on a regular basis.</p> <p><b>How will we know it's fixed?</b> DOT and Treasury accounts are in agreement. Clean financial audits over DOT's financial reports. Internal control reviews will reveal that sufficient controls, procedures, and practices are in place to ensure that financial statements and intragovernmental transactions are accurate.</p> <p><b>How are we doing?</b> On target.</p>	<p><b>Year Identified:</b></p> <p><b>Completed</b> – N/A</p> <p><b>Planned (Near-Term)</b> –  -- Institute monthly reconciliation of transactions of assets, liability, and revenue amounts with trading partners for all of the OAs.   -- Monthly, clear suspense accounts on a timely basis.   -- Record transactions more timely and accurately, avoiding duplicate entries.   -- Monitor reconciliation process and ensure that the findings of any problems are resolved promptly with the appropriate OAs.</p> <p><b>Planned (Long-Term)</b> – N/A</p>	<p>2003</p> <p>05/2004</p> <p>05/2004</p> <p>07/2004</p> <p>07/2004</p> <p>O – 07/2004 L – N/A C – 07/2004</p>	

**DEPARTMENT OF TRANSPORTATION (DOT)  
FEDERAL HIGHWAY ADMINISTRATION (FHWA)  
PENDING MATERIAL NONCONFORMANCE**

**MATERIAL WEAKNESS:** Reporting deficiencies occurred as a result of inadequate accounting practices and procedures, insufficient financial management staffing, a lack of reconciled fund balance with Treasury, no reconciliation between the subsidiary grants system with accounting systems, no timely suspense account clearing, and inadequate budgetary controls in accounting.

**Program Manager:** Jim Lunetta, HABF-24, (202) 366-2845.

**Source:** Management.

EXECUTIVE SUMMARY	MILESTONES	PLANNED DATES O=Original L=Last Year C=Current	ACTUAL DATES
<p><b>How shall we fix it?</b> Improve the operational accounting procedures and processes to better adhere to Departmental and government-wide financial management policies. Obtain additional financial management staff and provide additional training to current financial staff. Reconcile feeder systems data with the Delphi departmental accounting system in a timely manner. Clear suspense accounts on a timely, regular basis. Provide budgetary controls in accounting.</p> <p><b>How will we know it's fixed?</b> FHWA and Treasury accounts are in agreement. Clean financial audits over FHWA's financial reports. Internal control reviews will reveal that sufficient controls, procedures, and practices are in place to ensure correct recording and reporting of transactions, and protection against fraud, waste, and abuse.</p> <p><b>How are we doing?</b> On target.</p>	<p><b>Year Identified:</b></p> <p><b>Completed</b> – N/A</p> <p><b>Planned (Near-Term)</b> –</p> <ul style="list-style-type: none"> <li>-- Enhance use of budgetary controls in the accounting and grant systems.</li> <li>-- Institute monthly reconciliation of transactions between subsidiary grant system (FMIS) and corporate accounting system.</li> <li>-- Weekly, reconcile data from Funds Balance with Treasury.</li> <li>-- Monthly, clear suspense accounts on a timely basis.</li> <li>-- Evaluate, improve, and document policies, operating procedures, and practices.</li> <li>-- Provide staffing plans for hiring quality accounting staff and providing training to existing operational accounting staff.</li> </ul> <p><b>Planned (Long-Term)</b> – N/A</p>	<p>2003</p> <p>01/2004</p> <p>03/2004</p> <p>03/2004</p> <p>03/2004</p> <p>07/2004</p> <p>07/2004</p> <p>O – 07/2004 L – N/A C – 07/2004</p>	



**DEPARTMENT OF TRANSPORTATION (DOT)  
FEDERAL AVIATION ADMINISTRATION (FAA)  
PENDING MATERIAL NONCONFORMANCE**

**MATERIAL NONCONFORMANCE:** In FY 2000, the existing property accounting method required intensive manual efforts to generate Depreciation and Net Book Value of FAA assets. Beginning in FY 2001, FAA established a centralized Interim Fixed Assets System (IFAS) to improve control over property accounting. This interim solution was replaced with a fully integrated core accounting system in November 2003.

**Program Manager:** Janet Kinstler (202) 267-9756.

**Source:** OIG Audit of FY 2000 Financial Statements.

EXECUTIVE SUMMARY	MILESTONES	PLANNED DATES O=Original L=Last Year C=Current	ACTUAL DATES
<p><b>How shall we fix it?</b> FAA installed an Interim Fixed Asset System (IFAS) in FY 2001. The IFAS system has the appropriate controls to track property data for financial purposes and automatically generates agency depreciation and asset net book value, but it was not fully integrated with the core accounting system FAA used during FY 2003. In November 2003, FAA implemented a new core accounting system – Delphi – that fully integrates property accounting and complies with OMB financial system requirements.</p> <p><b>How will we know it's fixed?</b> The implementation of Delphi in November 2003 fixed this problem.</p> <p><b>How are we doing?</b> Delphi was successfully implemented in November 2003.</p>	<p><b><u>Year Identified:</u></b> 2000</p> <p><b><u>Completed –</u></b> -- Interim Fixed Asset System (IFAS) was developed.  -- Property data from external Personal and Real Property Systems was loaded into the IFAS.  -- IFAS was implemented prior to the FY 2001 Financial Statements completion (2/02).</p> <p><b><u>Planned (Near-Term) –</u></b> -- FAA converted IFAS data to a new integrated financial system (Delphi) in early 2004.</p> <p><b><u>Planned (Long-Term) –</u></b> -- Implementing Delphi corrected this nonconformance.</p> <p><b><u>Completion Dates:</u></b></p>	<p>2000</p> <p>09/2000</p> <p>02/2001</p> <p>02/2001</p> <p>11/2003</p> <p>11/2003</p> <p><b>O – 10/2002</b></p> <p><b>L – 05/2003</b></p> <p><b>C – 10/2003</b></p>	<p>09/2000</p> <p>04/2001</p> <p>02/2001</p> <p>11/2003</p> <p>11/2003</p>

# APPENDIX E

## Abbreviations

ACH	Automated Clearinghouse
BTS	Bureau of Transportation Statistics
CFO	Chief Financial Officer
DIY	Do-It-Yourself (Payment Website)
DOT	Department of Transportation
ECHO	Electronic Clearinghouse Operations
ECS	Electronic Certification System
FAA	Federal Aviation Administration
FFMIA	Federal Financial Management Improvement Act
FHWA	Federal Highway Administration
FMCSA	Federal Motor Carrier and Safety Administration
FMFIA	Federal Manager's Financial Integrity Act
FMS	Financial Management Service
FPPS	Federal Personnel and Payroll System
FRA	Federal Railroad Administration
FSG	Financial Statements Generator
FTA	Federal Transit Administration
GPRA	Government Performance and Results Act
GTS	Grant Tracking System
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
MARAD	Maritime Administration
NHTSA	National Highway Traffic Safety Administration
OA	Operating Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
OST	Office of the Secretary

PMA	President's Management Agenda
RSPA	Research and Special Programs Administration
SLSDC	Saint Lawrence Seaway Development Corporation
SPS	Secure Payment System
STB	Surface Transportation Board
TEAM	Transportation Electronic Award and Management
TIN	Tax Identification Number