

April 1998

MASS TRANSIT

Grants Management Oversight Improving, but Better Follow-Up Needed on Grantees' Noncompliance



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

B-277231

April 3, 1998

Congressional Committees

The Department of Transportation's (DOT) Federal Transit Administration (FTA) administers a multibillion-dollar program of financial assistance for grantees that provide urban and rural public mass transportation. In 1992, GAO designated FTA's management and oversight of billions of dollars in federal transit grants as a high-risk federal program that was especially vulnerable to fraud, waste, abuse, and mismanagement. Since that time, FTA has taken several steps to address the oversight weaknesses that were responsible for its high-risk designation. In February 1995, as a result of the various initiatives FTA was undertaking to improve its grants management oversight, GAO removed FTA from its high-risk list with the understanding that we would continue to monitor the progress and implementation of FTA's oversight initiatives.

This report discusses our latest review of FTA's grants management oversight. Specifically, the report discusses (1) FTA's initiatives that have provided an increased focus on grants management oversight and (2) the improvements that can be made to correct grantees' noncompliance and assess the program's effectiveness. The report does not include an assessment of FTA's oversight activities in the areas of civil rights, planning, and safety. We are providing this report to you because of your responsibilities for authorizing and funding federal transit programs.

Results in Brief

Ongoing initiatives and related organizational changes are continuing to strengthen FTA's oversight of federal transit grants and thus decrease the risk associated with its multibillion-dollar grants program. By improving guidance and training for staff and grantees, standardizing oversight procedures, and using contractor staff, FTA has improved the quality and consistency of its grants management oversight. In particular, FTA's risk assessment process has helped to target limited oversight resources and has provided a strong foundation for improved oversight. Furthermore, the overhaul of the Triennial Review Program, a performance evaluation of most grantees performed at least once every 3 years, has given FTA better guidance, training, and more resources to monitor grantees. FTA has also made better use of other specialized oversight tools at its disposal, such as financial management and procurement reviews, and has demonstrated a greater willingness to use stringent enforcement actions to compel grantees to resolve noncompliance issues.

Although FTA is improving its oversight of federal transit grants, the agency needs to give more attention to issuing reports on triennial reviews in a timely manner; these reviews help to ensure that grantees are adequately safeguarding the billions of federal dollars provided to them. In addition, while we found that documentation pertaining to the various grants management oversight reviews was adequately maintained by most FTA regional offices, the almost total lack of documentation found in FTA's New York Regional Office, the region that oversees the most transit grant dollars, gives us little confidence that appropriate follow-up on noncompliance findings was being performed there. Furthermore, many grantees still frequently do not meet FTA's time frames for correcting the noncompliance findings and deficiencies identified by oversight reviews. In many cases, FTA regional officials told us that these problems could often be attributed to the lack of staff assigned to carry out oversight activities. In this connection, we note that FTA never followed through on an internal task force's earlier recommendation to look at how staff allocations are made between program and oversight functions. As a result, there is no strong correlation between the number of grants, the number of staff performing oversight, and the time spent on oversight from region to region.

FTA does not know the full extent to which grantees' noncompliance with federal requirements is putting federal dollars at risk because it is not effectively using an established information system intended to track the resolution of oversight findings. This system has the potential to be a useful tool in tracking compliance, identifying problems, and even assessing the effectiveness of the FTA oversight program in meeting performance standards. Currently, however, the system is not updated by regional staff as required, nor is it used by headquarters officials to help manage or monitor the oversight activities of FTA's regional staff—leaving FTA susceptible to, and unable to quickly respond to, situations in any of its regional offices that might compromise good oversight. FTA officials say they are currently working to improve this system.

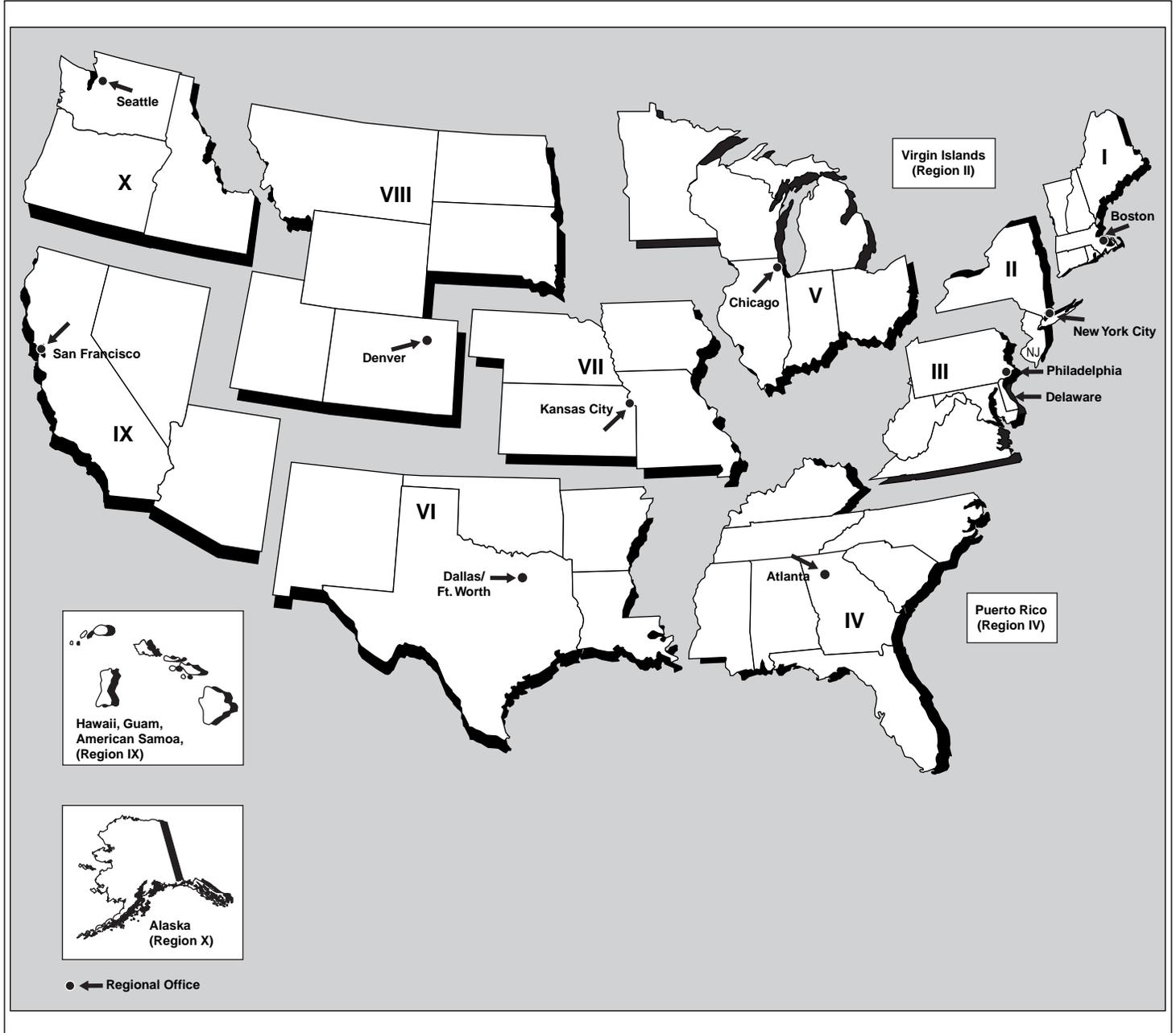
Background

FTA provides financial assistance to states and localities to develop, operate, maintain, and improve mass transit systems. Since 1964, over \$85 billion in mass transit grants has been distributed to states and local transit agencies. In fiscal year 1997, FTA provided more than \$4.5 billion to over 600 grantees. FTA currently oversees about \$42 billion in active grants.

Recipients of FTA grants must comply with applicable federal statutes and regulations. Grantees certify to FTA that they have the ability and intention to meet all of the requirements placed upon them. For example, all grant recipients must safeguard their federal investment by (1) keeping accurate and current records on the use of federal funds and (2) adequately controlling cash flow and inventory. Grantees must also make several certifications to FTA, including that they (1) have the ability to provide satisfactory continuing control and maintenance of FTA's property, (2) will purchase required inventory competitively, and (3) will follow "Buy American" provisions. (Details on these and other certifications are contained in app. I.)

Whereas grantees are responsible for the day-to-day management of their grants, FTA is responsible for overseeing grantees' compliance with federal requirements and ensuring the proper use of federal transit funds. FTA headquarters, through its Office of Oversight staff of 17, is responsible for developing policy and procedures for carrying out grants management oversight. FTA carries out these responsibilities primarily through approximately 70 staff located in 10 regional offices throughout the United States. (Fig. 1 shows the location of each regional office and the states each region encompasses.) Each regional office is responsible for overseeing anywhere from 28 to 116 grantees and 172 to 872 grants. (See app. II for a list of FTA's current grant allocations, by FTA region). FTA's Office of Oversight is responsible for ensuring that regional office staff implement grants management oversight policies and procedures in a similar and consistent manner.

Figure 1: FTA's 10 Regions



Source: FTA.

FTA uses a number of “tools” to oversee federal grantees, the most prominent of which is the triennial review—a performance evaluation of most grantees performed at least once every 3 years.¹ Other tools include financial management oversight reviews, procurement systems reviews, and contractor-provided project management oversight. FTA staff also rely on site visits and day-to-day contact with grantees, quarterly progress and financial reports, quarterly project review meetings, grant closeout reviews, annual audits performed by independent accounting firms, and reports issued by GAO and DOT’s Office of Inspector General (OIG). Table 1 briefly describes these tools and their main purpose.

Table 1: FTA’s Grant-Monitoring Tools

Monitoring tools	Purpose
Triennial review	Full review and evaluation of grantees’ performance in carrying out projects, including specific reference to compliance with statutory and administrative requirements
Financial management oversight review	Review of grantees’ financial management systems to determine whether they are sufficient to process federal funds and perform accurately
Procurement systems review	Review of grantees’ procurement systems for compliance with competitive bidding and other federal contract qualification requirements
State management review	Review of states’ implementation of FTA’s grant programs for rural areas and the elderly and disabled
Quarterly progress and financial reports	Reports from grantees on project status and grant expenditures to identify such things as cost overruns and potential delays
Annual audit	Audit performed by independent accounting firm assessing grantees’ financial statements, control systems, and compliance with applicable requirements
Site visit and day-to-day contact	Evaluation of grantees’ effectiveness in implementing the projects in conformance with the grant agreement
Closeout review	Final reconciliation of grant to determine that all agreed-upon work has been completed and associated records closed
Project management oversight	Monitoring provided by contractors to ensure that major capital projects progress on time, within budget, and in conformance with approved plans
Quarterly project review meeting	Forum at which larger grantees, FTA staff, and appropriate contractors can discuss project status or emerging problems
GAO and OIG reports	Review of grantees’ compliance and FTA’s efficacy in oversight

¹Section 5307 of title 49 requires that comprehensive performance reviews be performed at least once every 3 years on grantees who receive funds under this section. Currently, section 5307 grantees receive approximately 89 percent of all FTA funds.

FTA also has several enforcement tools to deal with grantees' noncompliance, including warning letters, suspension of funds, and grant termination. However, traditionally, FTA was reluctant to use these tools to enforce compliance, opting instead to work with grantees in an effort to continually promote transit development.

In 1992, GAO designated FTA's grants management oversight as a high-risk federal program area on the basis of the results of a series of reviews by GAO and DOT's Inspector General that identified numerous weaknesses in FTA's oversight of grantees.² The reviews had shown that FTA was focusing more on awarding grants than on ensuring the proper use of federal transit funds. The reviews also showed that FTA's oversight was superficial and inconsistent and that FTA seldom used its enforcement authority to compel grantees to correct weaknesses, even those that were long-standing. Consequently, federal dollars had been placed at risk.

In 1995, GAO removed FTA's high-risk designation as a result of FTA's substantial progress in addressing its grants management oversight weaknesses.³ From 1992 to 1995, FTA demonstrated a concerted effort to improve its oversight procedures through various initiatives which provided a framework that would allow it to take a more proactive approach to its grants management, oversight, and enforcement responsibilities. These initiatives included the establishment of a risk assessment process for targeting oversight resources and the overhaul of the Triennial Review Program. We noted at that time that we would continue to monitor FTA's implementation of these initiatives.

FTA's Initiatives Are Improving Grants Management Oversight

Ongoing initiatives and related organizational changes are continuing to strengthen FTA's oversight of federal transit grants and decrease the risk associated with providing billions of dollars each year to grantees. FTA has developed better guidance for its staff and grantees and has standardized its oversight procedures to improve the quality and consistency of its grants management program. In particular, the establishment of a risk

²High-Risk Series: Federal Transit Administration Grant Management ([GAO/HR-93-16](#), Dec. 1992); Mass Transit Grants: Scarce Federal Funds Misused in UMTA's Philadelphia Region ([GAO/RCED-91-107](#), June 13, 1991); Mass Transit Grants: Improved Management Could Reduce Misuse of Funds in UMTA's Region IX ([GAO/RCED-92-7](#), Nov. 15, 1991); Mass Transit Grants: Noncompliance and Misspent Funds by Two Grantees in UMTA's New York Region ([GAO/RCED-92-38](#), Jan. 23, 1992); Mass Transit Grants: Risk of Misspent and Ineffectively Used Funds in FTA's Chicago Region ([GAO/RCED-92-53](#), Mar. 4, 1992); Mass Transit Grants: If Properly Implemented, FTA Initiatives Should Improve Oversight ([GAO/RCED-93-8](#), Nov. 19, 1992).

³High-Risk Series: An Overview ([GAO/HR-95-1](#), Feb. 1995); High-Risk Series: Quick Reference Guide ([GAO/HR-95-2](#), Feb. 1995).

assessment process for targeting limited oversight resources has provided a stronger foundation for improved oversight, while changes made to the Triennial Review Program have given FTA staff better guidance, training, and more resources to carry out review procedures. In addition, FTA has made changes to more effectively use its other oversight tools and has demonstrated a greater willingness to use stringent enforcement tools to compel grantees to resolve noncompliance issues.

In June 1995, FTA reorganized its headquarters staff in an effort to provide increased focus on and better direction to its oversight program. FTA merged existing oversight functions previously located in three separate offices and created an Office of Oversight with the responsibility to plan and manage the agency's oversight of federal transit grants. Through this central focus, FTA sought to increase the effectiveness of its oversight program and the efficiency of its staff. Responsibility for the day-to-day implementation of oversight procedures remained with the regional office staff. FTA also, through an Oversight Review Order adopted in 1994, established an Oversight Review Council made up of both headquarters and regional staff to oversee, coordinate, and ensure the quality of oversight reviews.⁴ The Council holds annual meetings at which FTA staff and contractors assemble for discussions on oversight policies, procedures, and lessons learned.

FTA's Oversight Begins With Assessing Risks

Since 1992, FTA has attempted to provide a more comprehensive strategy for staff and contractors to follow in overseeing grants management. The development of a risk assessment process has provided a firm foundation for this strategy. Formalized through an Oversight Review Order issued in November 1994, the risk assessment process was a key element in allowing FTA to target its resources to ensure a coordinated, cohesive, and uniform level of oversight activity. The order also standardized the procedures for planning, conducting, and following up on oversight reviews.

FTA regional staff, in the seven regions we visited, were fully utilizing the risk assessment process to coordinate and set priorities for oversight activities. The risk assessment process requires regional staff to annually determine the level of risk each grantee poses to the overall integrity of FTA's programs. To make such determinations, staff complete a form containing a series of questions that assess each grantee's performance in

⁴In November 1994, FTA issued an Oversight Review Order that describes the internal mechanisms for establishing grantees' risk ratings, conducting oversight reviews, and taking corrective actions.

such areas as grant administration, financial management, and procurement management. The resulting risk ratings are used to develop a regional oversight plan that sets priorities for individual oversight strategies for each grantee. These strategies identify the type and level of resources to be dedicated to overseeing a grantee during the next fiscal year. For the fiscal year 1996 risk assessment process, FTA added a multiplication factor to the process which “adds weight” to the large grantees that receive most of the federal transit funds. This action ensures that these “higher-risk” grantees will be targeted annually for special attention and given priority for receiving increased oversight.

According to our evaluation of all completed assessment forms for fiscal years 1995 and 1996, the risk ratings themselves appeared to be reasonable. The recommended level and type of oversight for grantees also appeared to be justified. For example, in cases in which the completed risk assessment forms identified grantees’ problems with financial management, regional staff recommended that grantees receive financial management oversight reviews.

FTA Has Improved the Triennial Review Program

The Triennial Review Program builds on the foundation established by FTA’s Oversight Review Order and the risk assessment process. By developing substantive guidance and training and making better use of contractors, FTA has significantly improved the program. We found that FTA regional staff are conducting triennial reviews as required by FTA’s guidance.

The triennial review is FTA’s primary oversight tool to monitor most grantees’ compliance with federal regulations. It also provides an opportunity for FTA staff to help grantees understand the various requirements and obligations with which they must comply. In the past, we have criticized FTA for the limited scope and depth of the triennial reviews and cited the need for more specific guidance.⁵ To address our concerns, FTA revised its Triennial Review Order and developed a comprehensive Triennial Review Handbook. This guidance provides explicit instructions on how to review grantees and includes thorough descriptions of the most successful techniques for ascertaining grantees’ compliance with 21 “key” requirements. (See app. III for summary statements of the 21 triennial review requirements.) FTA has used this

⁵Mass Transit Grants: If Properly Implemented, FTA Initiatives Should Improve Oversight (GAO/RCED-93-8, Nov. 19, 1992).

handbook to train FTA staff and independent contractors responsible for conducting and overseeing the reviews.

In addition to training those responsible for conducting triennial reviews, FTA has developed a grants management seminar aimed at preparing grantees for what to expect during a triennial review. From fiscal year 1995 through fiscal year 1997, FTA conducted 11 seminars with 390 participants. The seminar and the accompanying handbook, based on the triennial review process, provide participants with information on federal compliance requirements and FTA's formula grant program.

Prior to being designated a high-risk agency, FTA had not been conducting triennial reviews as required by law and had been criticized by us for not making better use of available financial resources to hire contractors to perform these oversight reviews.⁶ FTA has since improved its performance largely through the increased use of contractor staff. For example, in fiscal year 1990, only 20 percent of the triennial reviews were conducted by contractors, but by fiscal year 1996, all triennial reviews were being conducted by contractors. By utilizing contractors, FTA has now been able to ensure that all grantees receive a review at least once every 3 years; in the seven regions we visited, we found that each grantee had received a review within the last 3 years. While FTA regional staff assist contractors in performing these reviews, FTA officials indicate that the expanded use of contractors frees FTA staff to follow up with grantees on problems and weaknesses identified during triennial reviews.

FTA's Triennial Review Order and Handbook provide guidance to FTA regional staff for coordinating and overseeing the triennial review process. With the exception of report processing requirements, which we address later, staff in the FTA regions we visited were generally following this guidance. Each region had appointed a triennial review coordinator to implement and monitor the triennial review process. Furthermore, regional staff were overseeing contractors performing triennial reviews by participating in initial desk audits, accompanying contractors on site visits, and reviewing draft and final reports.

⁶GAO/RCED-93-16.

FTA Is Making Better Use of Specialized Reviews and Other Available Oversight Tools

In addition to triennial reviews, FTA has other grants management oversight tools at its disposal. These include specialized financial management and procurement reviews, project management oversight, and quarterly reports on grantees' progress. Through better guidance, training, and utilization of contractor staff, FTA has made better use of these tools in an effort to strengthen its oversight of transit grants.

FTA has been able to conduct more specialized reviews by again making better use of contractors. For example, prior to 1992, FTA had not performed any financial management reviews on transit grantees. However, since that time, as a result of contracting out with accounting firms, FTA has been able to perform over 100 financial management oversight reviews. FTA has also developed a State Management Review Program for overseeing individual states' implementation of the FTA grant programs related to rural areas and the elderly and disabled. FTA has patterned these state management reviews after the Triennial Review Program and has utilized contractors to perform these reviews as well. Table 2 shows the type and number of specialized reviews conducted since fiscal year 1992.

Table 2: FTA's Specialized Reviews, Fiscal Years 1991-97

Review	Number of specialized oversight reviews conducted						Total
	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	
Financial management oversight	10	12	29	19	28	12	110
Procurement systems	7	23	10	5	8	14	67
State management	0	0	1	9	13	17	40
Total	17	35	40	33	49	43	217

Source: FTA's Office of Oversight.

FTA also developed seminars and training courses to help improve grantees' performance in the areas covered by its specialized reviews. Table 3 identifies available training courses and the number conducted since fiscal year 1994.

Table 3: FTA's Specialized Seminars and Training Courses, Fiscal Years 1993-97

Seminar/course	Number conducted				Total participants	Total no. of
	FY 94	FY 95	FY 96	FY 97		
Grants management	0	4	5	2	11	390
Financial management systems	1	3	4	3	11	660
Third-party contracting	2	3	5	5	15	420
Contract negotiation & cost and price analysis	2	4	2	4	12	359
Contract administration	3	3	4	5	15	417
Total	8	17	20	19	64	2,246

Source: FTA's Office of Oversight.

FTA is also using project management oversight (PMO) contractors to provide technical on-site monitoring of selected large construction projects expected to cost over \$100 million. According to FTA, PMO contractors are hired to monitor a specific transit project on a continuing basis and provide frequent input to FTA regional staff on the status of the project's cost, schedule, and performance. As of December 1997, FTA had 14 PMO contractors responsible for overseeing 85 major transit projects by 38 grantees. In designating FTA as a high-risk agency in 1992, we criticized FTA for not having written procedures for its staff to use in overseeing PMO contractors.⁷ In June 1993, FTA revised its PMO guidance to include details on the procedures that regional staff are to use to ensure that PMO contractors are conducting their project oversight in an efficient and effective manner. In all of the seven regions we visited, FTA officials were overseeing PMO contractors as required. Their activities included reviewing monthly PMO status reports, attending quarterly project review meetings, and frequently contacting the contractors.

FTA staff are also making better use of the quarterly reports on grantees' progress as an oversight tool. Grantees' quarterly financial and progress reports provide FTA an opportunity to identify grantees' problems early and implement appropriate changes before funds are wasted or mismanaged. In 1992, we criticized FTA for not ensuring that grantees submit these

⁷GAO/RCED-93-16.

reports as required.⁸ However, since that time, FTA has reaffirmed the importance of the reports to both its regional staff and grantees. As a result, compliance with the reporting requirement has improved significantly. In December 1992, only 33 percent of grantees were submitting quarterly reports to FTA as required. As of June 1997, compliance had increased to 74 percent.

FTA Regional Staff Are Using Enforcement Tools More Frequently to Compel Grantees' Corrective Action

In the past, FTA did not make full use of its available enforcement tools to correct grantees' noncompliance with federal regulations.⁹ However, in response to our 1992 report, FTA established a new enforcement policy, developed detailed guidance on carrying out enforcement actions, and has demonstrated a greater willingness to use these actions against grantees who do not comply with federal transit requirements.

In our prior report, we noted that FTA's usual practice of relying primarily on notification letters and other correspondence rather than on other available, more stringent enforcement tools failed to compel grantees to correct noncompliance problems within a reasonable time.¹⁰ To address these concerns, FTA established enforcement criteria in its 1994 Oversight Review Order, specifying the conditions and time frames for using available enforcement tools. The order emphasizes the importance of compelling grantees to take appropriate and timely action to correct noncompliance with federal requirements. It also provides guidance on the remedies and sanctions that may be imposed on grantees who fail to take necessary corrective actions.

FTA regional staff are responsible for ensuring that grantees take agreed-upon actions to correct noncompliance problems and deficiencies identified by oversight reviews. Available tools for enforcing grantees' compliance include sending notification and warning letters, reducing or withholding funds when federal requirements have not been met, and seeking reimbursement when funds have been misspent or mismanaged. Our review of regional enforcement and follow-up efforts identified a greater willingness to utilize the more stringent enforcement tools when appropriate. We found instances in which FTA has held up progress payments to grantees, suspended grant application reviews, and even

⁸GAO/RCED-93-16.

⁹GAO/RCED-93-16.

¹⁰GAO/RCED-93-16.

terminated grants in an effort to compel grantees to correct their problems and comply with federal requirements.

FTA's Atlanta Regional Office's approach to follow-up and enforcement illustrates this improved enforcement. Atlanta's regional management sends letters advising grantees that are slow to resolve triennial review findings that payments and grant application reviews may be suspended. When these letters fail to achieve the desired results, regional staff follow through on these warnings. For example, over the last 3 years, the Atlanta Regional Administrator has suspended the ability of two grantees to electronically withdraw available grant funds because of their continual late submission of quarterly reports and slowness in correcting triennial review deficiencies. In another instance, the Administrator terminated a grantee's transit grant because of the grantee's continued failure to correct triennial review deficiencies and submit quarterly reports.

FTA's San Francisco Regional Office has also demonstrated its willingness to take stringent action. In one case, the San Francisco Regional Administrator suspended a grantee's ability to draw down its funding for operating assistance and placed special conditions on its new grant because of significant procurement problems initially identified by a triennial review. The Regional Administrator also held up new transit grants to one state after a state management review found it to be noncompliant in all review areas.

Improvements Can Be Made in Resolving Noncompliance and Assessing the Program's Effectiveness

Although FTA is continuing to strengthen its oversight of federal transit grants, opportunities for improvement still remain. For example, FTA is still taking a long time to resolve grantees' noncompliance issues and the deficiencies identified during its various grants management oversight reviews. In particular, FTA is taking a long time to issue triennial review reports. Also, the lack of documentation in one region provided no support that appropriate follow-up on noncompliance issues was being performed and that transit funds provided to grantees were being properly controlled. Furthermore, many grantees still frequently miss deadlines for correcting noncompliance findings from the various oversight reviews. FTA headquarters staff cannot accurately measure the full extent or the impact of grantees' noncompliance with federal requirements because FTA is not fully utilizing its established tracking system to monitor noncompliance resolution. Finally, FTA is not taking advantage of this available resource to evaluate the extent to which its regional staff are implementing oversight

requirements or to assess the overall effectiveness of its grants management program.

FTA Is Not Issuing Triennial Review Reports in a Timely Manner

For the most part, FTA regional staff have not been meeting the time requirements for processing reports as prescribed in the Triennial Review Order. The order requires that final reports be processed within 90 days of the site visit, and FTA’s policy is to issue the report to grantees within this time frame. However, the average report processing time greatly exceeds 90 days. In some cases, reports have taken over a year to be issued. Because the due date for resolving noncompliance findings is established once the final report is issued, the length of time it takes for grantees to correct noncompliance findings is extended. Regional FTA officials acknowledged the need to improve report processing time and cited possible reasons for these delays that included too much internal report review within FTA regions, delays on the part of contractors, and a desire to allow grantees as much time as possible to correct noncompliance findings before the issuance of the final report. According to these officials, regional staff often begin to work with grantees to resolve noncompliance findings on the basis of the findings highlighted in a draft report, and as a result, some findings may be resolved before the final report is issued. Table 4 shows average report processing times for triennial reviews by regional office for fiscal years 1995 and 1996, the most recent time for which data are available.

Table 4: Average Time to Process Triennial Review Reports, by FTA Region, FYs 1995-96

Region	Average no. of days to process triennial review reports	
	FY 1995	FY 1996
I	189	214
II	^a	^a
III	272	273
IV	158	208
V	178	162
VI	278	^a
VII	163	^a
VIII	93	134
IX	160	213
X	143	73
FTA’s average	182	182

^aData were unavailable because regional office staff had not updated FTA’s tracking system with this information.

Source: FTA’s Triennial Review Information System database.

Triennial Review Documentation Was Insufficient or Nonexistent in Some Regional Offices

The Triennial Review Order also requires regional staff to maintain a uniform filing system for completed triennial reviews. For each review, contractors' workpapers and relevant review documents are to be maintained and organized by separate folders for each of the 21 triennial review elements. According to the order, the files should be organized in a manner that provides a clear audit trail, and all findings should be fully documented.

For the most part, the FTA regional staff in the offices we visited were maintaining a filing system in accordance with the requirement. However, documentation related to the final report and follow-up on noncompliance findings was found to be less than adequate. In six regional offices, because of the lack of documentation, we found some instances in which we were unable to determine whether completed oversight reviews still had unresolved noncompliance findings. In some instances, documentation was old, and there was no evidence of recent contact with the grantee on resolving open noncompliance findings. However, in FTA's New York Regional Office—which oversees the most transit grant dollars—the lack of documentation was more serious and problematic. Most of the triennial review files we reviewed for fiscal years 1995 and 1996 at this regional office were missing backup documentation, correspondence, and in some cases the triennial review report itself. In addition, the Triennial Review Coordinator was unable to produce any files for fiscal year 1994 triennial reviews that, according to FTA's records, still contained unresolved noncompliance findings. When questioned about the lack of documentation on follow-up, he noted that the office had lost a very talented program manager in 1996 who had been responsible for many of the grant oversight activities, including follow-up on review findings. This lack of documentation in FTA's New York Regional Office provided little confidence that adequate follow-up on open compliance issues was being conducted.

Many Grantees Still Frequently Miss Deadlines for Correcting Deficiencies Noted in Oversight Reviews

FTA's grants management oversight responsibilities under its triennial and other specialized review programs do not end with the issuance of a report. Through monitoring and follow-up, FTA regional staff are responsible for ensuring that grantees take appropriate actions to correct the noncompliance findings or deficiencies identified by these reviews. However, despite FTA's willingness to use its enforcement tools more often, many grantees still frequently miss FTA's deadlines for resolving oversight review findings. Inadequate staffing and FTA's failure to fully use its established tracking system may be contributing to follow-up delays.

In the seven regions we visited, many grantees were still frequently not meeting FTA's time frames for corrective actions, and FTA, in the spirit of working with grantees and fostering transit development, often would allow compliance deadlines to be revised, which enabled grantees to further delay completion of corrective action. As a result, we found findings still unresolved from fiscal years 1994 and 1995 triennial reviews. These findings, for the most part, were procedural in nature, such as not having a written policy for dealing with Buy American provisions. Other findings were more significant, such as not conducting a required accounting of the grantee's asset inventory or not carrying out required asset maintenance. As we reported to FTA in the past, failing to correct noncompliance in a timely manner can send a message to grantees that federal requirements are not important.¹¹ Moreover, as we discuss later, by not fully utilizing the established tracking system, FTA officials are unaware of the true extent to which serious noncompliance is going uncorrected.

Staffing Problems May Contribute to Follow-Up Delays

Staffing issues may be a factor contributing to the length of time taken to bring grantees into compliance. When questioned about why it was taking so long to resolve review findings, regional officials attributed the delays, at least partially, to the need for more oversight staff or to the existence of staff vacancies in critical positions. In following up with grantees on unresolved noncompliance issues, these officials told us that, in the light of staffing limitations, they give first priority to resolving the noncompliance findings that they consider to be the most serious. For example, the officials explained that priority would be given to working with a large grantee to correct noncompliance with FTA's "20-percent spare ratio" policy over a smaller grantee's noncompliance because of the absence of a particular clause in its written procedures dealing with the requirements of the Americans With Disabilities Act.¹²

In 1992, we criticized FTA for inconsistent and unfocused allocation of oversight staff.¹³ At the time, we found that FTA regions varied dramatically in the number of staff and proportion of staff time they devoted to oversight. Despite FTA's assurance to address these concerns, we found that this condition still exists today. An internal task force on staffing recommended in May 1993 that FTA consider doing a detailed study of staff

¹¹GAO/HR-93-16.

¹²Under FTA's policy, grantees should generally maintain an inventory of spare buses that totals no more than 20 percent of the buses currently in use.

¹³GAO/HR-93-16.

allocations to determine how regional and headquarters staffs' oversight efforts should best be focused. The study was to include a determination of the regional staffing levels necessary to perform oversight functions. FTA ultimately did not follow through on this recommendation. According to FTA's Office of Oversight, this issue was addressed as part of FTA's 1995 reorganization. However, FTA's reorganization does not appear to have resolved the inconsistent and unfocused allocation of staff to oversee regional grants management.

Comparing some of our observations of the New York and San Francisco regions' follow-up efforts provides some insight on the impact that staffing can have upon resolving review findings. In the New York Regional Office, the Director of Oversight has assumed sole responsibility for follow-up. As noted previously, we found little evidence of follow-up on open review findings in this region. Conversely, in the San Francisco Regional Office, we observed the positive impact the addition of staff could have on follow-up. In January 1997, the San Francisco Regional Office obtained an additional experienced staff person as part of the establishment of its Los Angeles Metro office. In reviewing oversight review files, we found numerous instances in which this staff person had taken steps to compel grantees in the Los Angeles area to resolve old triennial review findings.

When FTA's high-risk designation was removed in 1995, FTA's budget included an increase of 20 staff years. FTA officials told us at that time that these staff-years, along with 8 additional staff-years transferred from headquarters to the regional offices, would be used to supplement existing regional oversight staff. However, our current review found that staff increases in the area of grants management oversight have not occurred in FTA's regional offices. According to regional officials, increases have occurred in other areas, such as planning and civil rights oversight. We also noted vacancies in critical oversight positions in a number of the regional offices we visited. As a result, there is no strong correlation between the number of grants, the number of staff performing oversight, and the time spent on oversight from region to region. Table 5 identifies FTA's regional staffing levels, including oversight vacancies, and the number of staff-years dedicated to grants management oversight.

Table 5: Grants Management Oversight Staffing in FTA's Regional Offices as of July 1997

Region	Total staff	Oversight staff years ^a	Percentage of oversight staff years	Number of oversight vacancies	Percentage of grants ^c	Percentage of grant dollars ^d
I	16	4.6	29	1	9	4
II	18	3.4	19	0	9	26
III	23	6.15	27	0	10	11
IV	21	4.68	22	1	14	6
V	24	4.45	19	1	21	17
VI	17	4.9	29	1 ^b	9	5
VII	13	3.5	27	1	5	2
VIII	10	2.6	26	1	4	1
IX	23	4.75	21	3	12	12
X	10	2.3	23	0	5	3

Source: FTA's Office of Oversight.

^aStaff-years represent the total full-time-equivalent effort dedicated to grants management oversight activities. According to FTA officials, this number was calculated on the basis of the percentage of time each staff member spends on oversight activities.

^bThis vacancy was filled as of September 15, 1997.

^cPercentage of total FTA transit grants.

^dPercentage of total FTA transit grant dollars.

Established System Not Being Fully Utilized to Track Corrective Action or Assess the Program's Effectiveness

FTA is not making full use of its Triennial Review Information System (TRIS) to track the resolution of triennial review findings or to assess the effectiveness of the agency's oversight efforts. TRIS has the potential to be a very useful management tool for tracking compliance, identifying problems, and assessing the effectiveness of FTA's oversight. However, FTA has not fully utilized or improved the system for these purposes.

TRIS is a computer database that is located on each regional and headquarters office's local-area computer network and is designed to catalogue and track the resolution of oversight review findings. For each triennial review, regional staff are to input such information as the specific findings by triennial review issue, the corrective actions required, the expected dates for corrective actions, and the actual dates of corrective actions. With such data in the system, FTA should be able to generate periodic reports showing whether grantees are complying with federal

requirements and assess the timeliness of resolving noncompliance findings.

In fiscal year 1995, FTA headquarters officials stressed to regional staff the importance of updating TRIS on a monthly basis and using the system to monitor grantees' compliance with federal requirements. At that time, FTA was beginning to use the system to identify areas in which improvements in grant oversight could be made. For example, on the basis of an analysis of the TRIS data, FTA officials identified that regional staff were taking a long time to issue triennial review reports and concluded that a better effort was needed to bring grantees into compliance in a more timely manner. However, since that time, FTA has not maintained or expanded its use of TRIS. FTA regional staff have not been uniformly updating TRIS, and FTA headquarters officials are not enforcing its use or utilizing it as a management tool. Except for FTA's Philadelphia Regional Office, updates to TRIS by regional staff have been slow and incomplete in many cases and practically nonexistent in others. When questioned as to why they were not updating or utilizing TRIS, some regional officials stated that the system was not user-friendly, that its capabilities needed to be expanded for more detailed analysis, and that TRIS was a low-priority task in light of staffing limitations and the need to continually follow up with grantees. Furthermore, FTA has not yet expanded the system to track findings from its other specialized reviews, even though it said such an expansion would take place in fiscal year 1995.

Failure to use the system to monitor corrective actions may also be a factor contributing to the length of time it is taking regional staff to resolve noncompliance findings. Regional staff are required, according to the Oversight Review Order, to develop a means for monitoring corrective actions. However, the use of a tracking system to monitor open findings varied significantly from region to region and in some cases was nonexistent. For example, staff at the New York and Dallas regional offices were not using any formal or informal mechanism to track open review findings. On the other hand, staff in the San Francisco Regional Office had established a comprehensive, detailed process to track findings from triennial reviews, financial management oversight, and procurement system reviews. This process utilized spreadsheets and separated oversight review files with open findings from those that had been closed. FTA's Chicago Regional Office had also established a similar system.

Even more important, if regional staff were updating TRIS, FTA's Office of Oversight could use the system to identify problematic trends and assess

the overall effectiveness of FTA's oversight initiatives. For example, if staff in the New York Regional Office had been updating TRIS, FTA's Office of Oversight could have determined that there was a problem in resolving noncompliance findings that needed attention. However, the fact that the regional office staff were not updating TRIS at all should have raised concern about a potential problem.

Similarly, knowing that grantees frequently miss deadlines for correcting noncompliance findings, FTA could use TRIS to assess the potential impact of such delays. Through TRIS, FTA could determine whether delays were occurring for minor noncompliance issues that put no federal dollars at risk or whether serious noncompliance was going uncorrected. An analysis showing the latter might suggest the need for FTA to reevaluate its grants management oversight staffing in its regional offices.

FTA could also use TRIS to assess the effectiveness of its oversight initiatives over time for purposes of evaluating its performance under the Government Performance and Results Act. According to FTA, a new tracking system is currently being developed to address these concerns.

Conclusions

Over the past several years, FTA has demonstrated a heightened commitment to grants management oversight by implementing various oversight initiatives. FTA's risk assessment process has helped target limited oversight resources and has provided a strong foundation for improved oversight. Furthermore, the overhaul of the Triennial Review Program, FTA's primary tool for overseeing most grantees, has given FTA better guidance, training, and more resources to monitor grantees. FTA has also made better use of other specialized oversight tools at its disposal and has demonstrated a greater willingness to use stringent enforcement actions to compel grantees to resolve noncompliance issues. As a result, FTA is successfully reducing the risk associated with its grants management program. Nonetheless, opportunities exist for FTA to continue to improve its grants management oversight and provide stronger oversight of federal transit funds.

FTA staff are not consistently applying established procedures for correcting noncompliance findings. For example, few regional staff are consistently updating TRIS or using TRIS to monitor unresolved noncompliance findings, while staff in other regional offices have established their own monitoring systems. FTA is also taking a long time to issue triennial review reports and resolve grantees' noncompliance

findings and deficiencies identified during its various oversight reviews of grants management activities. In addition, many grantees are still frequently not meeting FTA's time frames for complying with federal transit requirements. Also, while documentation pertaining to the various oversight reviews generally was being adequately maintained by FTA's regional staff, the lack of documentation in one region provided no assurance that appropriate follow-up on noncompliance findings was being performed or that transit funds provided to grantees were being properly controlled.

While FTA officials state that these problems could be attributed to the lack of staff assigned to perform oversight activities, FTA never followed through on a task force's earlier recommendation to assess staff allocations between program and oversight functions. As a result, there is still no strong relationship between the number of grants, the number of staff performing oversight, and the time spent on oversight from one regional office to another.

Finally, because most FTA regional staff are not providing or updating information to TRIS as required, FTA headquarters officials are not able to fully utilize this established tracking system to monitor noncompliance resolution. Currently, FTA officials are not able to identify the full extent to which grantees are not complying with federal transit requirements or evaluate the overall effectiveness of the agency's oversight initiatives. In theory, if FTA is doing a good job overseeing its grantees, one would expect an increase in the number of grantees that remain in compliance or at least a reduction in the number of noncompliance findings. TRIS could be used to identify such trends; yet until FTA ensures that regional staff input complete and timely data into the system, such analyses cannot be performed.

Recommendations

In order to continue FTA's progress in improving grants management oversight on a nationwide basis, the Secretary of Transportation should direct the Administrator, FTA, to require all regional staff to consistently apply established procedures and practices for monitoring and correcting grantees' noncompliance to ensure standardization throughout FTA. The Secretary should also require the Administrator to (1) enforce the time frames established by FTA for resolving noncompliance findings and closing out triennial reviews and (2) abide by established reporting time frames. The Secretary of Transportation should further require that the Administrator, FTA, have the Office of Oversight monitor the way regional

office staff are implementing oversight procedures and policies to ensure dependable and consistent application throughout the agency.

In order to determine the regional staffing levels that are necessary to effectively carry out the responsibilities of grants management oversight in a timely manner, the Secretary of Transportation should require the Administrator, FTA, to complete the detailed staffing workload analysis recommended by an earlier internal task force.

The Secretary of Transportation should also ensure that the Administrator, FTA, requires all regional staff to provide information on triennial reviews to the Triennial Review Information System on a consistent basis so that it can be used as the monitoring and tracking mechanism that FTA originally intended it to be. FTA should quickly move to incorporate the results of other specialized reviews, such as financial management oversight and procurement reviews, into the system so that all instances in which grantees are not in compliance with federal requirements can be monitored and tracked to their proper resolution.

Agency Comments

We provided copies of a draft of this report to the Department of Transportation for its review and comment. We met with FTA's Associate Administrator for Program Management and other officials from the Office of Oversight. The officials agreed with the report's findings and recommendations but provided some minor clarifications. We have incorporated their comments where appropriate.

Scope and Methodology

To identify FTA's initiatives that have provided an increased focus on oversight and determine what improvements could be made to correct grantees' noncompliance and assess the program's effectiveness, we interviewed FTA officials in the Office of Oversight and reviewed applicable legislation, regulations, and program guidance. We conducted site visits at 7 of FTA's 10 regional offices located in Atlanta, Chicago, Dallas, New York, Philadelphia, San Francisco, and Seattle. We selected these regional offices on the basis of (1) the number of grantees, (2) the number of grants, and (3) the amount of grant dollars. This selection also included the regional offices we had evaluated in 1992 when we designated FTA as a high-risk agency. During our visits to FTA's regional offices, we interviewed officials responsible for performing oversight activities, reviewed oversight files, and discussed our observations with pertinent FTA staff. We

did not include civil rights, planning, or safety reviews in our review of FTA's oversight activities.

We performed our work from May 1997 through January 1998 in accordance with generally accepted government auditing standards. We did not assess the reliability of FTA's computer-generated data because we based our analysis and findings primarily on source documentation maintained at the various regional offices.

We are sending copies of this report to the Secretary of Transportation; the Administrator, Federal Transit Administration; the Director, Office of Management and Budget; participating organizations; and interested congressional committees. Copies are available to other interested parties upon request.

Major contributors to this report are listed in appendix IV. Please call me on (202) 512-3650 if you have any questions.



Phyllis F. Scheinberg
Associate Director, Transportation Issues

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Chairman

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Committee on Appropriations
House of Representatives

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United States Senate

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The Honorable Max S. Baucus
Ranking Minority Member
Subcommittee on Transportation and Infrastructure
Committee on Environment and Public Works
United States Senate

Certifying Grantees

FTA requires grantees to provide numerous certifications and assurances of compliance with federal requirements. FTA categorizes these submissions into three groups: one-time, annual, and grant-specific. One-time submissions include a number of basic project assurances that are submitted once and remain on file with FTA, needing only to be updated as necessary. Each fiscal year, grantees must also submit various planning and operating statistics. Other submissions are required with each grant application. FTA is required to have current submissions meeting each applicable requirement on file before funds can be provided to a grantee.

One-Time Submissions

FTA requires one-time submissions that include, among other things,

- an Opinion of Counsel that establishes the applicant's eligibility to apply for, contract for, and execute a grant;
- a list of labor unions to determine that fair and equitable arrangements are made to protect employees' interests;
- civil rights assurances to demonstrate that hiring, contracting, and other federally assisted activities are not discriminatory or exclusionary, together with a plan to maximize the participation of minority- and women-owned businesses; and
- standard assurances to comply with laws and administrative requirements common to all federal grant programs, such as requirements of the National Environmental Policy Act of 1969, Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and Flood Disaster Protection Act of 1973, as amended.

For FTA's Urbanized Formula funds, grantees certify, among other things,

- their legal, financial, and technical capacity to complete the project and protect federal funds;
- their ability to provide satisfactory continuing control and maintenance of FTA's funds and property;
- their agreement to maintain a uniform system of accounts, records, and reporting;
- their commitment to acquire or invest in rolling stock in conformance with FTA's guidelines, including FTA's 20-percent spare bus policy; and
- their commitment to have procurement systems that comply with federal procurement regulations.

Grantees that have not made these certifications must submit information on noncompetitive awards and procurements exceeding \$100,000 for FTA's

preaward review, while those that have certified need submit information only for contracts exceeding \$1 million.

Annual Submissions

FTA requires grantees to provide a number of submissions each fiscal year in which they receive federal funds. The required information may include (1) plans relating to transportation improvement programs, including private-sector involvement; (2) plans and updates to meet civil rights requirements and disadvantaged business participation goals; and (3) reports on factors affecting transit operations, such as ridership and revenues (required of Urbanized Formula grantees).

Grant-Specific Submissions

In addition to the one-time and annual submissions, grantees must also provide information with each grant application. Grant-specific submissions include (1) a statement of continued validity of one-time submissions to be kept in the grantee's file, (2) a transmittal letter identifying the commitment of local funds, (3) a program outlining projects and budgets, (4) details on expenditures, and (5) a state certification to ensure compliance with provisions for notifying state organizations of proposed transit projects and state review of proposals.

FTA's Grant Allocations by Region, as of September 30, 1997

Region and headquarters location	Number of grantees	Net obligations	Number of grants
I, Boston, MA	42	\$1,782,555,931	361
II, New York, NY	41	10,810,221,829	393
III, Philadelphia, PA	55	4,532,967,354	424
IV, Atlanta, GA	116	2,594,347,609	582
V, Chicago, IL	105	6,995,740,462	872
VI, Dallas/Forth Worth, TX	69	2,014,267,780	383
VII, Kansas City, MO	31	857,806,072	218
VIII, Denver, CO	28	446,280,894	172
IX, San Francisco, CA	87	4,998,193,654	486
X, Seattle, WA	35	1,413,230,847	226
Headquarters	1	5,626,649,597	38
Total	610	\$42,072,262,029	4,155

Summary Statements of Triennial Review Requirements

In carrying out its triennial review responsibilities, FTA ensures that transit grantees are in compliance with the following requirements.

1. Legal Capacity—FTA grantees must be authorized under state and local law to request and receive federal funds and to administer federally funded projects.
2. Financial Capacity—FTA grantees must demonstrate the capacity to manage funds and meet financial obligations in accordance with all federal requirements.
3. Technical Capacity—FTA grantees must possess sufficient expertise and resources to implement all grant agreements and contracts and satisfy all federal requirements.
4. Satisfactory Continuing Control—FTA grantees must maintain control over federally funded property, ensure that it is used in transit service, and dispose of it in accordance with federal requirements.
5. Maintenance—FTA grantees must keep federally funded property in good operating order.
6. Elderly and Persons With Disabilities/Medicare Half Fare—FTA grantees must offer half fare to elderly and persons with disabilities (and persons presenting medicare cards) during nonpeak service hours on fixed-route service.
7. Competitive Procurement—FTA grantees must utilize a competitive procurement process and protect procedures in accordance with all federal requirements.
8. Buy American—FTA grantees and their contractors must comply with all Buy American requirements.
9. Program of Projects—FTA grantees must develop an annual Program of Projects (POP) in accordance with all federal planning requirements.
10. Planning—FTA grantees must participate in a regional planning process in compliance with federal requirements, including adequate involvement of private operators.

11. Elderly and Persons with Disabilities Special Efforts—FTA grantees must satisfy all federal requirements pertaining to employment practices, program accessibility, and services for persons with disabilities and must make special efforts in program accessibility and services for the elderly.

12. Public Comment on Fare and Service Changes—FTA grantees must solicit and consider public comment before implementing increases in fares or restructuring in service.

13. Charter Bus—FTA grantees are prohibited from using federally funded equipment and facilities to provide charter services when there is a willing and able private operator, unless one of the exceptions to FTA's Charter regulations apply.

14. School Bus—FTA grantees are prohibited from using federally funded equipment to provide school bus service.

15. Section 15—FTA grantees must collect and report section 15 data in accordance with the uniform system of accounts and records.

16. Civil Rights—FTA grantees must comply with all federal requirements pertaining to nondiscrimination, equal employment opportunity, and contracting opportunities for disadvantaged businesses.

17. Safety and Security—Federal law authorizes FTA to investigate unsafe operating conditions involving federally funded transit facilities and equipment. The grantee is required to report safety (accident, death, injury) data under section 14 of the Federal Transit Act. Any recipient of section 9 funds must annually certify that it is spending 1 percent of such funds for transit security projects or that such expenditures for security systems are not necessary.

18. Drug-Free Workplace—A federal regulation requires grantees to ensure a drug-free workplace and to have an antidrug policy and training program.

19. Integrity—To prevent fraud, waste, and abuse in federally assisted transactions, FTA grantees must ensure that the participants, including its principals and third-party contractors in all federally assisted transactions, are not debarred, suspended, ineligible or voluntarily excluded from participation in federally assisted transactions.

**Appendix III
Summary Statements of Triennial Review
Requirements**

20. Private Enterprise Participation—FTA grantees are required to consider using private transportation providers when service changes are contemplated.

21. Lobbying—Recipients of federal grants and contracts exceeding \$100,000 must certify compliance with federal requirements that prohibit the use of these funds to attempt to influence the award or amendment of any federal contract, grant, loan, or cooperative agreement.

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