

**STATEMENT OF
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DEPUTY SECRETARY
U.S. DEPARTMENT OF TRANSPORTATION**

BEFORE THE

**COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES**

*Reducing Waste and Mismanagement: Implementing Agency Watchdogs'
Recommendations Could Save Taxpayer Billions*

MARCH 5, 2013

Chairman Issa, Ranking Member Cummings and Members of the Committee, thank you for holding this hearing today to focus attention on reducing waste and mismanagement by implementing the recommendations of the Department of Transportation's (DOT or "the Department") Office of the Inspector General (OIG). My testimony today will first include a brief overview of the Department's systems for responding to audit recommendations and will touch upon some of the more recent successful results we have achieved. I will then highlight the progress we have made in response to the specific recommendations identified in the OIG's December 2012 letter to the Committee. I will also outline some of the Department's efforts to improve the efficiency of project delivery for transportation projects.

Improving Efficiency: DOT's Systematic Response to OIG Audit Recommendations

DOT has established sound systems for interacting with the OIG that have enabled us to close 505 audit recommendations during calendar 2012, with over \$1 billion in program funds either recovered, reprogrammed, offset, or put to a better use. This represents a 19 percent increase in recommendations closed compared to the previous year, and 58 percent more recommendations than DOT closed in 2009.

DOT's success in addressing efficiency and management issues identified by the OIG is based on a systematic approach that uses objective metrics for measuring performance and a sustained effort by top management throughout the Department to focus on results.

At DOT our management response to matters raised by the OIG receives not only the direct attention from program personnel familiar with the day-to-day management activities addressed in the OIG audits, but also the focus of top management officials in the appropriate operating administrations (OA), and key officials in the Office of the Secretary. We work hard to ensure that issues raised by the OIG are addressed, solutions identified, and actions implemented on a timely basis and that every opportunity to identify any possibility of waste, fraud or abuse is acted upon.

Once the solutions are identified, we systematically track progress every four to eight weeks. Using our Recommendation Action Tracking System, metrics demonstrating progress are shared throughout the Department, including with my office, the OIG, top level management officials in the OAs and our audit liaison personnel. Through the combined efforts of personnel throughout the Department, program managers are held accountable in a results-oriented approach to audit recommendations.

This system shines a bright light on every aspect of our response to OIG audit recommendations, including matters that are highlighted by virtue of their placement on the Department's "Most Wanted List." This list, which is a subset of our Recommendation Action Tracking System, includes audit recommendations where we have not been satisfied with the rate of progress or where we wish to highlight matters that, in our judgment, need priority attention. This is not the easy way, but we firmly believe it is the right way for making certain that OIG recommendations are fully and appropriately addressed.

DOT Action on Recommendations Highlighted by OIG

In response to the recommendations highlighted in the OIG's December 2012 letter to the Committee, we supplemented our usual tracking by adding a "Most Wanted Annex" to further enhance transparency on the status of each of the 10 specific recommendations (5 short-term recommendations and 5 long-term recommendations) identified by the OIG. We are making significant progress on each of these action items and will continue to track them through closeout. For example:

- The Federal Motor Carrier Safety Administration (FMCSA) has begun to draft a proposed rule that would, if finalized, further enhance safety of passenger motor carriers.

- The Department’s Chief Financial Officer has issued new requirements, conducted training and put in place the systems to better ensure that unused funds associated with grants are de-obligated based on regular and systemic reviews.
- The Federal Aviation Administration (FAA) met its deadline to review issues relating to pilot commuting and has issued new requirements relating to pilot fitness for duty.
- The Federal Highway Administration (FHWA) completely revised its approach to bridge oversight and now uses a specific data driven, risk based performance oriented set of metrics.
- Personal Identity Verification (PIV) cards have been issued to nearly all DOT employees and contractors, are used for physical access to DOT facilities and network printing. We are in the process of implementing their use for complete network access.

These are just a few of the areas DOT has demonstrated its commitment to working effectively with the Office of Inspector General and made substantial progress ensuring that our programs are efficient, effective, and offer the American public the safest transportation systems in the world.

The following offers additional details on our efforts on each of the recommendations highlighted by the OIG in its letter.

Data Collection on Pilot Commuting

The OIG’s report includes a recommendation to ensure the collection and analysis of data on pilot domicile and commuting to be able to address pilot fatigue in the aviation industry. Since the Colgan crash in February 2009, the subject of commuting by pilots to reach their duty stations has received significant attention. The FAA’s primary concern is whether and to what extent commuting erodes safety due to pilot fatigue. FAA has viewed pilot fatigue as one of several factors that determine whether a pilot is fit for duty, which is required for any commercial pilot. An air carrier has the duty to responsibly schedule its pilots. At the same time, a pilot has an obligation to use his or her rest time in a fashion that allows the pilot to report “fit for duty.” This includes balancing other employment, family obligations and responsible commuting.

In response to the OIG's recommendation, FAA agreed to scan for available data on pilot commuting since the 2011 National Research Council (NRC) National Academy of Science (NAS) report, *The Effects of Commuting on Pilot Fatigue*. At this time, we have not found new data related to pilot commuting, but will continue to assess this issue as new data on pilot commuting becomes available.

NextGen Master Schedule

The FAA continues to make great progress in its implementation of the Next Generation Air Transportation System (NextGen), a comprehensive overhaul of our National Airspace System (NAS), using a suite of tools to facilitate the continuous-rollout of transformative programs, improvements, and upgraded technologies that are better for our environment, better for efficiency and flexibility, better for safety, and better for the economy and the traveling public. Already, we are seeing benefits from our investments.

The OIG recommended that the FAA establish an integrated master schedule to manage implementation of NextGen. The FAA employs an enterprise-level approach to track NextGen program costs, schedules, and performance milestones. This includes a framework of several complementary tools that together address these issues and detail the planning, development, and delivery of NextGen. The FAA continues to work on an Integrated Master-Schedule (IMS) to strengthen its enterprise-level management tool. The tool is being designed to show how changes in programs' schedules will impact the delivery of NextGen capabilities. The IMS will draw upon the information contained in the roadmaps of the NAS Enterprise Architecture and captures key program activity and milestones for operational improvements specified in the NextGen Segment Implementation Plan (NSIP). The NAS Enterprise Architecture is a strategic planning tool that depicts the evolution of the NAS architecture over time. The NSIP describes plans for delivery of operational capabilities across two implementation timeframes—Segment Alpha (through 2015) and Segment Bravo (2016 through 2020). The NAS Enterprise Architecture and NSIP are working documents that provide significant detailed planning information to implementing offices. The FAA publishes an executive level overview of the agency's progress annually in the NextGen Implementation Plan (NGIP).

Undelivered Orders

The IG's recommendations addressed an accounting issue for inactive projects, or what the Department calls "undelivered orders" (UDOs). UDOs are unpaid obligations for which the goods or services ordered and obligated have not been received. Obligations remain open until they are fully reduced by a disbursement or are de-obligated or until the appropriation funding the obligation is closed. The Department's current financial statement auditor, KPMG, as well as our prior auditor, CliftonLarsonAllen, identified a weakness in internal controls over UDOs. KPMG concluded that until this control issue is corrected, there is a risk that material misstatements of these balances may occur and remain undetected. In late 2012, the Department's operating administrations (OA) engaged in an intensive 60-day effort to identify and de-obligate unneeded UDOs. These reviews lowered the UDO balance by nearly \$2 billion through project de-obligations and ongoing billings.

Since last summer, we have focused management's attention on renewed efforts to ensure the accuracy of obligations and undelivered order balances. Our OAs conducted focused reviews of these transactions during the third quarter of FY 2012 to verify balances and make needed corrections. We also conducted two separate day-long training sessions for OA staff regarding grants and grant close-out procedures, in order to improve the reliability of balances reported for these transactions. Further, in February we issued Department-wide guidance on the periodic review of obligations and UDOs. This guidance was a final element of our overall remediation efforts and established a framework across the Department for improved, documented internal control procedures for reviewing and recording obligation and UDO balances. These measures provide the needed framework to address the internal control issues for these balances identified by the OIG and the Department's independent auditors.

Stewardship and Oversight Agreements

Over the past two decades, Congress has shifted the oversight approach of the FHWA away from the individual project level to a broader program-based model. To implement this oversight approach, the law requires Stewardship and Oversight (S&O) Agreements to formalize the respective roles and responsibilities of FHWA and the State departments of transportation for the federally-assisted, State-administered Federal-aid highway program (FAHP). The OIG has

recommended that the FHWA implement a coordinated approach to review agreements annually and to make timely revisions, when appropriate.

S&O Agreements serve as a compendium of elements that go beyond statutory requirements, making reference to the many other control documents that are continually reviewed and updated – such as FHWA’s Leadership Dashboard targets, Unit Plans, the Risk Register, Financial Integrity Review and Evaluation reports – along with State DOT manuals and procedures reviewed by FHWA. Together, these documents enable FHWA to assess how State DOTs fulfill their respective responsibilities. Additionally, FHWA is using lessons learned from the Recovery Act in implementing a Spot Check Program to undertake a quick examination of projects typically delegated to States and not subject to detailed Federal oversight. The Spot Check Program will provide another layer of quality assurance for inspection of FAHP projects.

The FHWA has conducted periodic reviews to ensure that S&O Agreements fulfill their role as effectively as possible, resulting most recently in the 2011 revision of FHWA’s S&O guidance, which called for more comprehensive Agreements covering project delivery and financial controls of the FAHP. The FHWA also recognizes the benefits of periodically reevaluating all Agency stewardship and oversight practices to adapt to new statutory requirements or programmatic needs and recently launched a significant Agency-wide effort to revise its stewardship and oversight approach. When fully developed, FHWA’s new stewardship and oversight approach will provide a more consistent, comprehensive, risk-based oversight approach tied directly to the Agency’s annual Strategic Implementation Plan. The FHWA will also issue updated policies and guidance on S&O Agreements as needed to effectively implement the rollout of the new S&O approach. Consistent with the OIG’s recommendation, FHWA plans to implement this new S&O approach by mid-2013.

Passenger Carrier Leasing

In order to ensure that unsafe passenger carriers cannot evade FMCSA oversight and enforcement applicable to passenger carriers by operating under the authority of another carrier that exercises no actual control over those operations, the OIG has recommended that FMCSA issue a rule on leasing of passenger carrier vehicles and drivers.

FMCSA concurs with the OIG recommendation. This regulatory initiative was also included in DOT's 2012 update to its Motorcoach Safety Action Plan under new actions.

This action, if finalized, would enable FMCSA, and our Federal and State partners to more accurately identify motor carriers transporting passengers in interstate commerce and correctly assign responsibility to these entities for regulatory violations during inspections, compliance investigations, and crash studies. It would also provide the general public with an improved ability to identify the responsible motor carrier at the time of transportation. While detailed lease and interchange regulations for cargo-carrying vehicles have been in effect since 1950, the proposed rules for passenger-carrying commercial motor vehicles would focus entirely on operational safety of passenger carriers.

Use of PIV Cards as the Primary Authentication Mechanism

The OIG has recommended that DOT comply with the requirements in the Homeland Security Presidential Directive 12 (HSPD-12) concerning the use of PIV cards as the primary authentication mechanism for computer access for all employees and contractors. We embrace the need to ensure the security of our networks and information systems, and that in the face of continued cyber threats, and increasing requirements, sound prioritization and risk management are essential to ensure continued, and cost effective, improvement in the Departmental Cybersecurity program and posture.

The Office of the CIO (OCIO) is collaborating across the agency to maximize results through continued execution of existing plans, and focus upon Cybersecurity activities and investment on White House priorities, Department of Homeland Security (DHS) requirements, audit recommendations, evolving threats, and program maturation. Among the first-priority Cybersecurity activities identified by the Chief Information Officer (CIO) for FY2013 is increasing the required use of PIV cards for network login agency-wide.

As evidence of DOT's awareness and ongoing commitment to this priority, the Secretary designated the OCIO in June 2011 as the office of primary responsibility for implementation of HSPD-12 and use of the PIV cards. That same policy established the requirement for all agency personnel to use their PIV cards for access to agency networks and systems. DOT immediately undertook initiatives to establish program governance via a new Integrated Project Team (IPT),

complete the deployment of PIV cards to agency personnel, prepare those cards for use in accessing DOT networks, and to establish plans for enabling the use of PIV cards with DOT systems. An internal project was established between OCIO, FAA, and other DOT OAs to “reduce passwords”, and to drive investment in, and modernization of DOT systems to support the use of PIV cards for access. With these efforts, we have achieved:

- **PIV Card Expansion** — The DOT PIV card program has issued more than 89,000 PIV cards to date and is now working to implement mandatory use of PIV cards for secure login to DOT systems.
- **Enhanced System Security** — DOT implemented a solution to require the PIV card for authentication to DOT’s multi-function printers, while the FHWA, the Maritime Administration, the Volpe Center, and the Office of the Secretary have enabled use of the PIV card to access various online applications within their organizations.

We are currently working to complete a consolidated enterprise plan by the end of May 2013, and enforce required PIV use by 80% of agency personnel by March 2014.

Development of Enterprise Architecture for IT Investment

Consistent with the OIG recommendations, DOT is committed to establishing a Department-level Enterprise Architecture (EA) program for IT investment that is focused on achieving costs savings, minimizing duplication, and ensuring that Information Technology (IT) investments are aligned with our strategic priorities. While we are working to reinvigorate our Department-level EA program, we continue to deliver results. In my role as Chief Operating Officer, I led the Department’s PortfolioStat process during fiscal year 2012—a process focused on minimizing duplication and achieving operational efficiencies in “commodity IT”. I can report that our PortfolioStat efforts, having been informed by our Department EA, resulted in about \$12 million in Fiscal Year (FY) 2013 savings/cost avoidance that were reinvested in innovative, shared solutions, such as our new cloud-based Enterprise Messaging System.

Efforts focused on reducing duplication such as PortfolioStat, provide the framework that DOT needs to use EA effectively in support of management decision-making, integrating with the acquisition and budget offices, and, ultimately, achieving efficiencies in IT management and operations.

In addition to these Department-level efforts, the DOT OAs – especially the FAA – have mature, well-functioning Enterprise Architecture programs. The FAA EA program is a leader within the Federal government and is integrated with the strategic planning and investment review processes that FAA operates through the Joint Resources Council at DOT. While we build our Departmental program, our OAs are providing the necessary oversight to achieve efficiencies within their organizations.

The Department is currently in final review of a new Enterprise Architecture Policy that seeks to institutionalize and build on our efforts to reduce duplication, achieve efficiencies, and leverage OAs EA efforts and successes. Our Department-level EA program will look for ways to better integrate these efforts and achieve even greater efficiencies. To achieve these results, the Department will need to invest in tools and capabilities that enable better sharing of EA information and help provide the analytical tools necessary to inform and improve DOT IT governance, CyberSecurity spending, and acquisition decision-making.

Completion of a National Rail Plan

With respect to the OIG's recommendation for completion of a national rail plan, the Federal Railroad Administration (FRA) has made significant progress in implementing the national rail planning (NRP) provision in the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). FRA met the one-year deadline for submitting a preliminary national rail planning document in October 2009 and proactively submitted a progress report less than a year later. These reports included a level of detail and direction consistent with relatively new programs: PRIIA and the new High-Speed and Intercity Passenger Rail (HSIPR) investment program, both of which dramatically altered the rail industry landscape.

Moving forward, FRA considers rail planning to be a key strategic priority. Consistent with the OIG recommendation, FRA has developed a comprehensive, long-range national planning strategy that considers different stakeholders' needs and priorities, which entails the release of several documents that cumulatively fulfill the goals of national rail planning. Additionally, FRA's budget proposals in FY 2012 and FY 2013 articulated a clear plan for the future of rail, including detailed information on proposed policies, investment program structures, performance metrics, and planning priorities.

Over the past year, FRA has been managing several efforts that are establishing a technical foundation for innovative national, regional, and State rail planning. Because PRIIA specifically requires any national plans to build upon and “be consistent with” State plans, rather than directing FRA to dictate a master “blueprint,” FRA has issued draft State rail planning guidance to support development of strong State rail plans. Additionally, FRA is working with the National Cooperative Rail Research Program to develop rail planning data, tools, and methodologies, and is leading the Northeast Corridor FUTURE effort, which is one of the most comprehensive and ambitious transportation planning efforts undertaken in decades. Furthermore, FRA has established a senior leadership position to head FRA's rail planning and policy analysis initiatives, demonstrating FRA’s commitment to the importance of rail planning in fulfilling the agency’s mission and goals.

Reporting on the Nation’s Deficient Bridges

To improve the quality of inspection data and implement data-driven, risk-based oversight to prioritize bridge safety risks as called for in the OIG’s 2009 and 2010 reports, FHWA completed its effort to establish clearly defined levels of compliance and developed a uniform method for determining those levels of compliance. FHWA’s new bridge oversight approach, launched in March 2011, includes 23 National Bridge Inspection Standards (NBIS) metrics that can be independently assessed to determine compliance. FHWA has moved from an overall compliance determination for a State to an individual compliance determination for each metric. As a result of this more, data-driven, risk-based oversight approach, to date the OIG has closed 10 of 14 bridge recommendations. FHWA is in the process of completing action, including rulemaking, to address the remaining bridge recommendations.

In response to a recommendation in the 2010 report, FHWA evaluated the use of information included in the *Status of the Nation’s Highways, Bridges, and Transit: Conditions and Performance* report, to assess the effectiveness of States’ efforts to improve the condition of the Nation’s bridges. After a thorough analysis, FHWA determined that additional project information would need to be collected to directly link expenditure data with improvements to deficient bridges. FHWA was developing an approach to collect additional data at the time Moving Ahead for Progress in the 21st Century Act (MAP-21) was passed.

The 2012 MAP-21 statute fundamentally restructured the Federal highway program by consolidating programs and transforming the program into a performance-based program to ensure that decisions are data-driven and that resources are used more efficiently. Bridges are now eligible under the National Highway Performance Program and the Surface Transportation Program. The Department is required to establish uniform performance measures for bridge conditions on the National Highway System (NHS). In light of these new requirements, which align with the OIG recommendation, FHWA is currently drafting rules that propose to improve data-related requirements. Once these requirements are established, FHWA will assess how to best utilize the information provided by States. These efforts will help to increase transparency and accountability with respect to critical system performance.

Cost Estimates to Support FAA Realignment and Consolidation Plans

Finally, the OIG has recommended that FAA develop cost estimates to support FAA realignment and consolidation plans. The ability to meet the future needs of the National Airspace System, and the transition to NextGen relies, in large part, on the FAA's ability to optimize its facilities and workforce. The FAA is focused on a priority infrastructure project—the New York Integrated Control Facility (ICF). Consistent with the OIG recommendation for all FAA facility realignments and consolidations, the FAA is working to develop comprehensive cost estimates for key programmatic areas associated with the NY ICF. In addition to the base construction cost estimate, the FAA is working to develop detailed cost estimates for equipment, salary costs, relocation expenses, and training associated with the NY ICF. The recently issued Request for Information was a means for the FAA to gain critical information about potential options, but as stated in that document, it was undertaken as part of a larger alternatives analysis process in FAA's long-term strategy and approach to facility and service transformation. We are committed to ensuring that we only move forward with this infrastructure project if it would generate measurable operational benefits, including airspace redesign, and long term cost savings for the agency.

With respect to the larger consolidation effort, the FAA has established a collaborative workgroup to address relevant provisions in the FAA Modernization and Reform Act of 2012. This workgroup is charged with developing criteria and recommendations for guiding the FAA's efforts on realigning facilities. As part of this effort, templates have been developed for cost-

benefit analysis that line up with the OIG's recommendations. Facility realignment and consolidation is an ongoing effort that the FAA will continue to carry out as required by Congress pursuant to the relevant statutory provisions.

Improving the Efficiency of Project Delivery

The Department has been engaged in a number of activities that will shorten transportation project delivery times while protecting the environment, and we expect to renew these efforts in response to the President's recent State of the Union commitment to further improve the efficiency of infrastructure project delivery

The Department has worked with others in the Administration to make progress in implementing Executive Order 13604, *Improving Performance of Federal Permitting and Review of Infrastructure Projects*, signed in March 2012, which set a goal of reducing project timelines while improving outcomes for communities and the environment. The FHWA has also made progress in implementing its Every Day Counts initiative that is designed to address goals of shortening project delivery, enhancing the safety of our roadways, and protecting the environment with urgency.

The Department, and in particular the FHWA and the Federal Transit Administration (FTA) have also accomplished much to implement the project delivery provisions of MAP-21. We have worked to meet aggressive statutory deadlines-- for example to have completed a final rule implementing the exclusion from requirements under the National Environmental Policy Act to prepare an environmental impact statement (EIS) or environmental assessment for actions following declarations of emergency, and have published a notice of proposed rulemaking for new categorical exclusions related to actions within the operational right-of-way and for projects with limited Federal share. The ability to issue a combined final EIS and Record of Decision was effective upon enactment, and FHWA and FTA have also issued guidance on that procedure. The Department has also concluded a survey of stakeholders to determine what additional categorical exclusions should be created to help sponsors advance their transportation priorities without unnecessary delays.

Conclusion

The Department is committed to good stewardship of the taxpayer's money and is constantly working to increase efficiency and avoid waste. We value the relationship we have with the Department's Inspector General and we respect the audit recommendations that are issued by his office. We believe that our sustained focus on a results-oriented approach in responding to audit matters will continue to be effective and will enable the Department to follow through on a timely basis with an appropriate response to all current and future audit recommendations.

Thank you for the opportunity to appear before you today. I would be happy to respond to any questions you may have.

John D. Porcari

Deputy Secretary of Transportation

John D. Porcari has served as the 19th United States Deputy Secretary of Transportation since June 1, 2009.

As Deputy Secretary, Porcari serves as the Department of Transportation's chief operating officer with responsibility for the day-to-day operations of 10 modal administrations and the work of more than 55,000 DOT employees nationwide and overseas. Porcari is focused on transportation's key role in economic development and providing the foundation for America's future prosperity.



Before becoming Deputy Secretary, Porcari served as Secretary of the Maryland Department of Transportation since January 2007, a position he also held between 1999 and 2003. As MDDOT Secretary, Porcari was responsible for an integrated, multi-modal, statewide transportation system that included highways, the Port of Baltimore, Baltimore-Washington Thurgood Marshall International Airport, a statewide general aviation system, Maryland's toll authority, and its Motor Vehicle Administration.

Between 2003 and 2007, Porcari served as vice president for administrative affairs at the University of Maryland, College Park. He previously served as Deputy Secretary of Transportation for Maryland and as Assistant Secretary for Economic Development Policy at the Maryland Department of Business and Economic Development. Prior to his positions in the state government, he served as vice president of a civil engineering and land use consulting firm and at the local government level.

Porcari received his B.A. degree from the University of Dayton, Ohio, in 1981, and his Master of Public Administration from the State University of New York at Albany in 1985. He, his wife Heidi, and their five children live in Cheverly, Maryland.